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Organizing the Transaction Privilege Tax Exemptions: Our Process and an Explanation of our Results

Prepared for the Citizens Finance Review Commission

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The goal of the transaction privilege tax (“TPT”) exemption subcommittee, was to study all the TPT exemptions that currently exist in the Arizona Revised Statutes and, to the extent possible, categorize them by similar characteristics. This was an exercise in deductive reasoning, a bottom-up approach. We studied what currently is, without reference to what tax policy tells us should be. In the end, we learned from our examination some policy positions worth sharing.

We found that most of the exemptions fell into ten categories:

- (1) Double Taxation - an exemption or exclusion that was enacted in order to ensure that the tax would apply only on the sale to the final consumer,
- (2) Administrative Ease - an exemption enacted where the cost of compliance or collection relative to the actual amount of revenues raised is often disproportionately high and, as a practical matter, can not be collected,
- (3) Services - services are generally outside the current scope of the TPT and fall into 5 general categories:
 - a. Business to Business Services- Non-professional services generally purchased by businesses (i.e. computer programming, graphic design, public relations)
 - b. Professional Services – Services provided by a licensed, certified, or otherwise credentialed professional (including services provided to both businesses and individuals)
 - c. Personal Services – Services related to the care of ones physical appearance or the care of their family (i.e. hair, nails, skin care, child care, death care)
 - d. Other Services – Repair, refurbishing, and miscellaneous services (i.e. automotive repair, clock repair, and coin operated car washes),
- (4) Environmental - purchases of machinery and equipment and other property necessary to meet environmental standards, prevent, reduce, and monitor pollution,
- (5) Economic Development/Industry Subsidies – encourage and promote certain types of economic activity by reducing the tax burden associated with elements of that activity (e.g. exempt air craft repair tools, exempt clean rooms used for high tech manufacturing),
- (6) Non-profit organizations – transactions with a non-profit organization,
- (7) Basic human needs – personal property and services necessary to meet basic human health and nutritional needs (e.g. ambulance service, food for home consumption, medical equipment),
- (8) Federal pre-emption decisions - exemptions conforming Arizona TPT law with federal pre-emption decisions,
- (9) Taxes & fees – exclusion of the taxation of taxes and fees that might otherwise be applied to a tax base, and
- (10) “Other” - There were a number of exemptions for which we were unable to find any common traits, and were thus put in the category of “Other.” We believe this category, in particular, deserves further inspection because the public policy supporting the exemptions is not apparent.

Our report lists the exemptions by category. Anticipating this report will be retained for future reference, we identified each exemption by 2003 Arizona Revised Statute reference, provided the text of the statute, a brief plain English description of the exemption and, where available, the dollar amount of the “negative expenditure” as provided by the Revenue Impact of Arizona’s tax Expenditures FY 2001/2002 report published by the Department of Revenue under Director

Mark Killian and Governor Jane Dee Hull. We also provided, to the extent possible, for each exemption the date the exemption was originally passed¹ and the date of the most recent amendment. In light of public comments that the TPT exemptions had been injudiciously expanded during the budget surplus period of the late 1990s, we thought enactment dates for TPT exemptions would be useful for the reader. Finally, because we were blessed with the collective institutional knowledge of former members of legislative staff and Department of Revenue employees, we created a last column labeled “Comments” where we included any other relevant data.

Our Observations From the Results

The exemptions falling into the “economic development/industry subsidy” category are large in number, cover a large scope of industries and generally do not seem to reflect a state-wide economic development plan.

By far the “economic development/industry subsidy” list of exemptions was the longest. Approximately 78 of the estimated 228² total exemptions fall into this category, benefiting approximately 22 “industries:”

- Health/sports clubs (memberships are exempt)
- Launch site construction
- Components in the production of pharmaceutical prescription benefit cards
- Cellular communications (exemption of cell phones when purchased with a cellular contract, exemption of the coaxial cable, optical fibers, etc. used in telecom carrier systems).

¹ Because the TPT exemption statutes have been recodified several times since their original passage in 1933, we were not always able to accurately track the statutes backwards to the original statutes’ passage.

² We attempted to calculate the different exemption “types.” The 228 exemption figure was calculated by starting only with the statutory exemptions (therefore not including any exclusions). We did not merely count statutory citations because some of the exemptions appear as both TPT exemptions in one statute and later in another statute as use tax exemption. To count both statutory citations would inflate the number of “types” of exemptions. On the other hand, where several distinct exemptions were included as subparts of a single statutory text, we counted separately the different exclusions that reasonably affected different tax payers or covered different transactions. In short, we opted to use a rule of reason over a mechanical exactness. In our final list, the exemptions fell thus:

- (1) 35 exemptions addressing double taxation
- (2) 11 administrative ease exemptions
- (3) 5 exemptions or exclusions because the product purchased is a service;
- (4) 16 exemptions reflecting a policy decision to subsidize behavior encouraging expenditures supporting environmental pollution control;
- (5) 78 exemptions that encourage economic development or reflect policy decisions to provide industry subsidies;
- (6) 22 exemptions granted to certain types of non-profit organizations;
- (7) 22 exemptions reflecting a policy decision to subsidize and exempt certain basic human needs;
- (8) 6 exemptions conforming Arizona TPT law with federal pre-emption decisions;
- (9) 3 exemptions that exclude taxation of taxes and fees that might otherwise be applied to a tax base; and
- (10) 30 exemptions in the category of “other.”

- Direct broadcast television (service itself is exempt, purchase of equipment used by a company to transmit the broadcast and by the customer to receive the broadcast is exempt).
- Television (exemption on purchases of equipment to broadcast digital television signals)
- Truck leasing (and companies who create subsidiaries who lease trucks to fleets of heavy trucks can organize to pay a maximum \$800 per year motor carrier fee rather than a one-time sales tax conservatively estimated to be \$4,500, which would have been shared with cities)
- Media (sale of advertising is exempt)
- Drugs and equipment prescribed by veterinarian
- Tempe Town Lake construction and development (presumably to promote tourism)
- Industries servicing the federal government (exemption for construction for military use zones, various exemptions for sales to the federal government)
- High-tech and semiconductor (exemptions on personal property used in clean rooms)
- Movie production (soundstage complex equipment is exempt)
- Mobile homes/trailer parks leased for more than 30 days (again, on the theory that it will promote winter visitors)
- Airlines (purchase of airplanes and repair parts and purchase of food to be served on planes are exempt)
- Mining
- Agriculture
- Utilities
- Environmental technology manufacturing companies
- Baseball, golf and rodeo events held by non-profit agencies (again, to promote tourism)
- Hospitality industry (industry pays no tax on hygiene products provided with the room)
- Railroad

The breadth of the list of exemptions did not disturb the reviewing committee as much as the appearance of a lack of targeted planning about what industries should receive the benefits of a tax exemption and for what length of time. Of the 22 “industries” receiving TPT exemption benefits, only mining, agriculture and utilities seem to reflect a nod toward Arizona’s historical economy and only the exemptions involving the environmental technology manufacturing companies, the airlines, the industries servicing the federal government (typically aerospace), the development of Tempe Town Lake and the high-tech/semiconductor industries seem to reflect the business community’s stated pursuits in the development of the new economy or otherwise clearly and publicly stated pursuits by the public and legislators. The remaining exemptions appear to be more random.

Only a few of the “economic development/industry subsidy” exemptions are truly geared toward economic development in the strictest definition of the term as expanding the economic by external growth.

The reviewing committee unanimously agreed that the research and development exemption was an exemption that is clearly targeted to economic development. Many of the other exemptions appeared to have originally been enacted to encourage economic development of new businesses

but have instead over time, become regular industry subsidies sustaining currently existing business. These industry subsidies are not normatively good or evil. However, they should be conscious decisions reflecting the principles of current policy makers.

Double taxation is difficult to succinctly define and should therefore be as narrowly construed as possible.

We expect the beneficiaries of some of the exemptions we had categorized in the “economic development/industry subsidy” category to argue that their exemptions should have been characterized as addressing double taxation problems. While in theory the idea that inputs to a final product should not be taxed at the interim stages and only taxed in the delivery of the final product is attractive, when put into practice the theory is rife for abuse.

Take, for example, the exemption that allows movie houses and Blockbusters to purchase or lease without payment of TPT the films, tapes and DVDs they in turn rent or show to the public. The theory is that the taxation happens at the movie viewer or renter level as amusement tax or retail TPT. The film, tape or DVD is a direct and necessary input into the ultimate good being taxed at the ultimate user level. The manufacturing industry benefits from a similar exemption that allows manufacturers to purchase any parts that are direct inputs into a final product for sale without the payment of TPT. Applied in the agricultural industry, the seeds used to grow crops for sale and the calves, pullets, etc. that ultimately are sold as food are not taxed when originally purchased.³

The problem in practice arises from the fact that on some level everything is in some way an input into a final product and industry advocates, in trying to achieve parity of exemption advantage with other industries, use the double taxation theory to further expand the exemptions. For instance, in growing a cow for meat production, is the feed it consumes an input, the purchase of which by the farmer should be exempt from TPT? What about the growth hormones fed to the cow? And the cows purchased for breeding purposes? In the context of manufacturing, if a machinery part that becomes integrated into the finished product is exempt from TPT, should chemicals used to create a molecular change to the final product also be exempt as double taxation as an input? Should drill bits and other equipment consumed in the manufacturing process also be exempt?

To avoid the unending cycle of double taxation arguments, we took the most narrowly construed view of what should be included as an exemption under double taxation criteria. We only included things that were direct inputs into a final product that are necessary to the creation of the end product, that are non-durables (or not reusable) and that are transferred to the ultimate purchaser, at which point TPT is applied. Thus, the purchase of a seeds used to grow crops for resale is exempt; the tractor used to cut the crops is not. The purchase of the pullet grown for resale as meat is exempt; the purchase of a hen for egg production is not. Two exemptions we struggled with, but ultimately decided to err on the side of caution about, are the exempt status of food and food service accessories purchased by airlines to be served on the planes and hygiene products purchased by the lodging industry. In both cases, the arguments on both sides of the

³ Interestingly, if the crops and meat are sold as food for home consumption, they are never taxed by the state because the state has made a public policy decision not to tax food for home consumption.

double taxation issue are strong and the analysis is complicated by the fact the product purchased is a service. Even our working definition is not perfect and requires some judgment calls that may appear arbitrary in the context of the whole. However, we believe in any case that the definition of double taxation exemptions should be as narrowly defined as possible to avoid abuse.

We found that when applying the narrow definition of double taxation, many of the exemptions that might have originally looked like double taxation matters fell into the category of “economic development/industry subsidy.” This would partly explain why our list of “economic development/industry subsidy” is so long and expansive.

Not all non-profits are created equal.

Contrary to popular belief, Arizona does not exempt all non-profit agencies from paying TPT. Rather, Arizona gives a broad TPT exemption for sales by all IRC 501(c)(3) recognized non-profits created exclusively for charitable purposes, but only grants limited TPT exemptions for all other not-for-profit entities. Following that method, we categorized all exemptions granted to IRC 501(c)(3) entities created exclusively for charitable purposes, religious institutions, educational institutions, qualified health care institutions, domestic violence shelters and other similar types of institutions “non-profit” exemption status. However, in reviewing the exemptions granted to IRC 501(c)(6) entities we were more circumspect (as is the current Arizona code which does not give IRC 501(c)(6) entities blanket exemptions). In particular, we excluded 501(c)(6) entities that are likely to receive the support or affiliation with a for profit agency. For instance, the non-profit wings of a baseball team or a golf league were moved out of the non-profit category to the economic development/industry subsidy (presumably tourism) category.

The amount we would loose on sales to federal government agencies should the TPT be replaced with a sales tax.

Opponents of the move to replace the TPT with a sales tax often point to the ability to tax sales to government entities as a primary benefit of TPT systems. While there are a number of exemptions that cut back or exempt entirely TPT on the sale of services or products to the federal government, the Department of Revenue estimates that the state would lose \$90 - \$120 million per year from the federal government with the loss of the TPT status. In addition, the counties and cities would lose a substantial amount of revenue from their local taxes and the revenue sharing with the state tax as well.

Writing legislation is hard. The tax analysts are smart. The exemptions may not be used as the state intended or have unexpected secondary effects. Periodic review and adjustments are crucial. Consider the case of the motor carrier exemption.

Writing legislation that stands up to future interpretations in circumstances that weren’t considered or just didn’t exist at the time the legislation was being drafted is difficult if not impossible. Add to the problem the fact that Arizona’s tax legislation does not include intent

clauses and Arizona's records of legislative history are sparse. As time passes, without periodic review of the empirical use of the exemption, unintended consequences may occur.

Take, for example, exemption A.R.S. 42-5016(A)(43) which exempts from transaction privilege tax the sale of any motor vehicle sold to an entity engaged in the business of leasing or renting the vehicle if that vehicle is subject to a motor carrier fee. The exemption also applies to the repair of the vehicle, the related replacement parts and any other attached tangible personal property. The exemption was enacted in 1994 following a court ruling against the interests of Ryder Truck Rental, Inc. in 1993.

While the exemption was targeted specifically for rental companies, over time, almost every company that has a fleet of vehicles structured a business to take advantage of this exemption. Generally this is done by setting up a subsidiary company to purchase the vehicles and lease them back to the parent company. If this is done correctly, not only the purchase of vehicles is now exempt from TPT but the purchase of repair and replacement parts are as well.

The rate of the motor carrier tax ranges from \$64 - \$800 per year and goes directly into a special fund for the exclusive use of developing highways, not the state's general fund. Consequently, the motor carrier tax is not shared with localities. The loss of the TPT is 5.6% of the gross cost of the vehicle, repairs and replacement parts to the state and the corresponding local TPT tax rate. For example, a new 80,000-pound vehicle conservatively estimated to cost \$80,000 pays \$800 per year in motor carrier tax; approximately \$8,000 over its 10-year life. This vehicle is exempt from paying \$4,480 in TPT for the initial purchase as well as on-going taxes on repair and replacement parts. Over ten years the elimination of the TPT revenues would greatly exceed the \$8,000 paid via the motor carrier tax. The difference in the payments is substantial and the use of the exemption through corporate structuring is believed to be wide spread.

Recommendations

Apply a sunset on economic development/industry subsidy based TPT exemptions that run for a fixed period after the entity applies for the exemption.

The model for this recommendation is the TPT treatment of environmental technology manufacturing companies ("ETMCs"). Suppliers to ETMC's are exempt from TPT. However, the exemptions are limited to 10 years from the time the ETMC registers for the exemption. This temporally limited exemption recognizes that some industries, particularly industries with high start-up costs, may need the benefit of TPT exemptions at the beginning of a venture or expansion. However, the goal of economic development incentives (and less so for industry subsidies) is to provide temporary assistance but that a company should ultimately become self-reliant and profitable. A TPT exemption with temporal limits commencing with the beginning of the venture or expansion meets these criteria.

Require periodic review of the TPT exemptions, particularly the economic development/industry subsidiary exemptions analyzing whether the exemptions match the state's economic development goals and other economic policy goals. If an exemption is recommended for termination, phase in the termination over a time period sufficient to give industries fair notice.

The hodgepodge approach to TPT exemptions requires some periodic review comparing the exemptions to the state's economic development goals and economic policies. This would be a mandated periodic cleaning house and updating of what is usually a collection of exemptions that are created piecemeal and without examination of the whole. The Department of Commerce conducts a comprehensive study of the state's economic growth every 10 years in the aptly named "Statewide Economic Study." It, and other work, become the backbone of the state's "Long Range Economic Plan," published by the Department of Commerce. This underutilized report is not only a source of long term economic goals and plans but is also reviewed and updated every year to adjust to new changes in the economy.

If an exemption has outlived its usefulness or is otherwise targeted for termination, the termination will need to be gradually eased into place, allowing those who relied upon it to reap the benefits bargained for with some certainty. Others who have made similar studies have suggested reviews every five years with terminations to occur five to 10 years after the announcement of the termination.

Construe double taxation as a reason for creating an exemption as narrowly as possible.

Curing double taxation problems appears on an economic and public policy basis to be a legitimate justification to establish a tax exemption. But, because double taxation is a slippery slope argument that at its ultimate and extreme conclusion would exempt all purchases by companies engaged in business, it should be construed as narrowly as possible. (See explanation above).

Double Taxation

- an exemption or exclusion that was enacted in order to ensure that the tax would apply only on the sale to the final consumer

Tax Exemption Spreadsheet (Double Taxation)

Statute/Exclusion	Statute text	Category	Category, Short Description	Dollar Amount	Date Passed	Last Date Amended	Sales Tax/Use Tax	Comments
§ 42-5061 (A) (5)	Sales to persons engaged in business classified under the restaurant classification of articles used by human beings for food, drink or condiment, whether simple, mixed or compounded.	Double Taxation	sales of food to restaurants	N/A			Sales Tax	Sale for resale to restaurant
§ 42-5159 (A) (25)				N/A			Use Tax	Sale for resale to restaurant
§ 42-5061 (A) (22)	Motor vehicle fuel and use fuel which are subject to a tax imposed under title 28, chapter 16, article 1, [FN8] sales of use fuel to a holder of a valid single trip use fuel tax permit issued under § 28-5739, sales of aviation fuel which are subject to the tax imposed under § 28-8344 and sales of jet fuel which are subject to the tax imposed under article 8 of this chapter.	Double Taxation	motor vehicle fuel	N/A	1991		Sales Tax	Fuel is subject to tax under title 28
§ 42-5159 (A) (5)				N/A	1991		Use Tax	
§ 42-5071 (B) (3)	Motor vehicle fuel and use fuel that are subject to a tax imposed under title 28, chapter 16, article 1, sales of use fuel to a holder of a valid single trip use fuel tax permit issued under section 28-5739 and sales of aviation fuel that are subject to the tax imposed under section 28-8344.	Double Taxation	rental property	N/A	1991		Sales Tax	Personal property rental
§ 42-5061 (A) (27)	Tangible personal property sold to a person that is subject to tax under this article by reason of being engaged in business classified under the prime contracting classification under section 42-5075, or to a subcontractor working under the control of a prime contractor that is subject to tax under article 1 of this chapter, if the property so sold is any of the following: (a) Incorporated or fabricated by the person into any real property, structure, project, development or improvement as part of the business.	Double Taxation	Sales of articles to a contractor for incorporation or fabrication under contract	\$200,969,000	1998		Sales Tax	
§ 42-5159 (A) (13) (g)				N/A	1998		Use Tax	

Tax Exemption Spreadsheet (Double Taxation)

Statute/Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	Sales Tax/Use Tax	Comments
§ 42-5061 (A) (31)	Sales of commodities, as defined by title 7 United States Code section 2, that are consigned for resale in a warehouse in this state in or from which the commodity is deliverable on a contract for future delivery subject to the rules of a commodity market regulated by the United States commodity futures trading commission.	Double Taxation	Commodities under futures contracts consigned to a warehouse for resale	N/A			Sales Tax	
§ 42-5159 (A) (14)				N/A			Use Tax	
§ 42-5061 (A) (51)	Sales of any spirituous, vinous or malt liquor by a person that is licensed in this state as a wholesaler by the department of liquor licenses and control pursuant to title 4, chapter 2, article 1.	Double Taxation	Spirituous vinous or malt liquor by a liquor wholesaler	N/A	1999	1999	Sales Tax	Retroactive to Jan. 1, 1991
§ 42-5071 (C)	Sales of tangible personal property to be leased or rented to a person engaged in a business classified under the personal property rental classification are deemed to be resale sales.	Double Taxation	rental property	N/A			Sales Tax	
§ 42-5072 (B)	The tax base for the mining classification is the gross proceeds of sales or gross income derived from the business. The gross proceeds of sales or gross income derived from sales described under section 42-5061, subsection A, paragraph 27	Double Taxation	mining	N/A			Sales Tax	To ensure that the same business is not taxed both on the extraction of the minerals and the retail sale of the materials.
§ 42-5072 (B)	The tax base for the mining classification is the gross proceeds of sales or gross income derived from the business. The gross proceeds of sales or gross income derived from sales described under section 42-5061, subsection A, paragraph 27 and subsection K, paragraph 2 shall be deducted from the tax base.	Double Taxation/Federal	mining	N/A			Sales Tax	This is to ensure that the tax is not imposed on the same transaction under two classifications.
§ 42-5062 (B) (1)	The gross proceeds of sales or gross income derived from transporting for hire persons, freight or property by a railroad pursuant to a contract with another railroad that is also considered to be engaged in the businesses of transporting persons, freight or property for hire if the other railroad is liable for the tax on gross proceeds of sales or gross income attributable to the transportation.	Double Taxation	Gross proceeds of sales or gross income derived from transporting for hire persons, freight, or property by a railroad pursuant to a contract with another railroad	N/A	1999	1999	Sales Tax	

Tax Exemption Spreadsheet (Double Taxation)

Statute/Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	Sales Tax/Use Tax	Comments
§ 42-5062 (B) (2)	The gross proceeds of sales or gross income derived from business activity that is properly included in any other business classification under this article and that is taxable to the person engaged in that classification, but the gross proceeds of sales or gross income to be deducted shall not exceed the consideration paid to the person conducting the activity.	Double Taxation	"package" activities	N/A	1999	1999	Sales Tax	These exemptions are related to bundled activities by hotels and resorts. Prior to this when a hotel purchased an activity such as jeep tours and resold them to its customers both transactions were subject to tax.
§ 42-5062 (B) (3)	The gross proceeds of sales or gross income derived from a business activity that is arranged by the person who is subject to tax under this section and that is not taxable to the person conducting the activity due to an exclusion, exemption or deduction under this section or section 42-5073, but the gross proceeds of sales or gross income to be deducted shall not exceed the consideration paid to the person conducting the activity.	Double Taxation	"package" activities	N/A	1999	1999	Sales Tax	These exemptions are related to bundled activities by hotels and resorts. Prior to this when a hotel purchased an activity such as jeep tours and resold them to its customers both transactions were subject to tax.
§ 42-5063 (B) (4)	The gross proceeds of sales or gross income derived from business activity that is arranged by a person who is subject to tax under this section and that is taxable to another person under this section who conducts the activity, but the gross proceeds of sales or gross income to be deducted shall not exceed the consideration paid to the person conducting the activity.	Double Taxation	"package" activities	N/A	1999	1999	Sales Tax	These exemptions are related to bundled activities by hotels and resorts. Prior to this when a hotel purchased an activity such as jeep tours and resold them to its customers both transactions were subject to tax.
§ 42-5063 (B) (1)	Sales of ancillary services, electric distribution services, electric generation services, electric transmission services and other services related to providing electricity, gas or water to a person who resells the services.	Double Taxation	Intrastate sales of electricity, natural gas & water	N/A	1999	1999	Sales Tax	Related to electric utility deregulation.
§ 42-5065 (A) (1)	Manufacturing or publishing books.	Double Taxation	Manufacturing or publishing books	N/A			Sales Tax	
§ 42-5066 (B) (1) (a)	Resells the job printing, engraving, embossing or copying.	Double Taxation		N/A			Sales Tax	

Tax Exemption Spreadsheet (Double Taxation)

Statute/Exclusion	Statute text	Category	Statute/Section	Dollar Amount	Date Passed	Last Date Amended	Sales Tax Use	Comments
§ 42-5071 (A) (1)	Leasing or renting films, tapes or slides used by theaters or movies, which are engaged in business under the amusement classification.	Double Taxation	Leasing films, tapes or slides used by theaters or movies or used by television stations or radio stations	N/A			Sales Tax	
§ 42-5073 (B) (4)	<p>The gross proceeds of sales or gross income derived from sales to persons engaged in the business of transient lodging classified under section 42-5070, if all of the following apply:</p> <p>(a) The persons who are engaged in the transient lodging business sell the amusement to another person for consideration.</p> <p>(b) The consideration received by the transient lodging business is equal to or greater than the amount to be deducted under this subsection.</p> <p>(c) The transient lodging business has provided an exemption certificate to the person engaging in business under this section.</p>	Double Taxation		N/A			Sales Tax	
§ 42-5073 (B) (5) (a)	<p>Business activity that is properly included in any other business classification under this article and that is taxable to the person engaged in that classification, but the gross proceeds of sales or gross income to be deducted shall not exceed the consideration paid to the person conducting the activity.</p>	Double Taxation		N/A	1999	1999	Sales Tax	These exemptions are related to bundled activities by hotels and resorts. Prior to this when a hotel purchased an activity such as jeep tours and resold them to its customers both transactions were subject to tax.
§ 42-5073 (B) (5) (c)	<p>Business activity that is arranged by a person who is subject to tax under this section and that is taxable to another person under this section who conducts the activity, but the gross proceeds of sales or gross income to be deducted shall not exceed the consideration paid to the person conducting the activity.</p>	Double Taxation		N/A			Sales Tax	
§ 42-5074 (B) (1)	<p>Sales to a person engaged in business classified under the restaurant classification if the items sold are to be resold in the regular course of the business.</p>	Double Taxation		N/A			Sales Tax	

Tax Exemption Spreadsheet (Double Taxation)

Statute/Exclusion	Statute text	Category	Amount of State Tax Exemption	Dollar Amount	Date Passed	Last Date Amended	Sales Tax/Use Tax	Comments
§ 42-5159 (A) (1)	Tangible personal property sold in this state, the gross receipts from the sale of which are included in the measure of the tax imposed by articles 1 and 2 of this chapter.	Double Taxation		N/A	1956	1956	Use Tax	
§ 42-5159 (A) (2)	Tangible personal property the sale or use of which has already been subjected to an excise tax at a rate equal to or exceeding the tax imposed by this article under the laws of another state of the United States. If the excise tax imposed by the other state is at a rate less than the tax imposed by this article, the tax imposed by this article is reduced by the amount of the tax already imposed by the other state.	Double Taxation		N/A	1956		Use Tax	
§ 42-5159 (A) (4)	Tangible personal property which directly enters into and becomes an ingredient or component part of any manufactured, fabricated or processed article, substance or commodity for sale in the regular course of business.	Double Taxation	Articles to be incorporated into a manufactured product	\$612,912,000			Use Tax	
§ 42-5159 (A) (6)	Tangible personal property brought into this state by an individual who was a nonresident at the time the property was purchased for storage, use or consumption by the individual if the first actual use or consumption of the property was outside this state, unless the property is used in conducting a business in this state.	Double Taxation		N/A			Use Tax	Relates to used items individuals bring with them when moving into the state.
§ 42-5061 (A) (28) (a)	<p>The sale of a motor vehicle to:</p> <p>(a) A nonresident of this state if the purchaser's state of residence does not allow a corresponding use tax exemption to the tax imposed by article 1 of this chapter and if the nonresident has secured a special thirty-day nonresident registration of the vehicle by applying according to section 28-2154.</p>	Double Taxation	Exempt motor vehicle sales (certain nonresidents and Indians)	N/A			Sales Tax	

Tax Exemption Spreadsheet (Double Taxation)

Statute/Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	Sales Tax/Use Tax	Comments
§ 42-5151 (14) (d)	(d) Amounts attributable to federal excise taxes imposed by 26 United States Code section 4001, 4051 or 4091 on sales of heavy trucks and trailers and automobiles or on sales of use fuel, as defined in section 28-5601.	Double Taxation		N/A	1956		Use Tax	
§ 42-5159 (A) (11)	Advertising supplements which are intended for sale with newspapers published in this state and which have already been subjected to an excise tax under the laws of another state in the United States which equals or exceeds the tax imposed by this article.	Double Taxation		N/A			Use Tax	
Section 42-5159(A)(9) and 42-5061(A)(34)	Seeds, seedlings, roots, bulbs, cuttings and other propagative material for use in commercially producing agricultural, horticultural, viticultural or floricultural crops in this state.	Double Taxation	Seeds, seedlings, roots, bulbs, cuttings, and other propagative material	N/A	1992	1992		Laws 1992, Chapter 162
§ 42-5159 (A) (45)	Gas diverted from a pipeline, by a person engaged in the business of operating a natural or artificial gas pipeline, and used or consumed for the sole purpose of fueling compressor equipment that pressurizes the pipeline.	Double Taxation		N/A			Use Tax	
§ 42-5064 (B) (1) (a)	Sales of intrastate telecommunications services to: (a) Other persons engaged in businesses classified under the telecommunications classification for use in such business.	Double Taxation	Direct broadcast satellite television services	N/A			Sales Tax	
§ 42-5061 (V) (3)	"Selling at retail" means a sale for any purpose other than for resale in the regular course of business in the form of tangible personal property, but transfer of possession, lease and rental as used in the definition of sale mean only such transactions as are found on investigation to be in lieu of sales as defined without the words, lease or rental.	Double Taxation	Wholesale Trade	\$2,552,694,000			Sales Tax	Definition of Retail Sale includes other transactions such as conditional sales.
§ 42-5073 (B) (2)	Amounts that are exempt under section 5-111, subsection H.	Double Taxation		N/A	1996		Sales Tax	Related to horse racing. I think it is the purse amounts.

Tax Exemption Spreadsheet (Double Taxation)

Statute/Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	Sales Tax/Use Tax	Comments
§ 42-5061 (A) (23)	Tangible personal property sold to a person engaged in the business of leasing or renting such property under the personal property rental classification if such property is to be leased or rented by such person.	Double Taxation	rental property	N/A			Sales Tax	Rental income taxed under personal property rental classification.
§ 42-5061 (A) (43)	Livestock and poultry feed, salts, vitamins and other additives for livestock or poultry consumption that are sold to persons who are engaged in producing livestock, poultry, or livestock or poultry products or who are engaged in feeding livestock or poultry commercially. For purposes of this paragraph, "poultry" includes rathies.	Economic Development (Industry re)	Livestock, poultry, feed, and supplies for use or consumption in the businesses of farming, ranching and feeding livestock and poultry	\$13,449,000	1994	1994	Sales Tax	Laws 1994, Chapter 307.
§ 42-5159 (A) (8)				N/A	1994	1994	Use Tax	Laws 1994, Chapter 307.
Exemption total				\$3,380,024,000				

Administrative Ease

- an exemption enacted where the cost of compliance or collection relative to the actual amount of revenues raised is often disproportionately high and, as a practical matter, can not be collected

Tax Exemption Spreadsheet (Ease of Administration)

Statute Exclusion	Statute Text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	Sales Tax Use	Comments
§ 42-5001 (5)	"Gross proceeds of sales" means the value proceeding or accruing from the sale of tangible personal property without any deduction on account of the cost of property sold, expense of any kind or losses, but cash discounts allowed and taken on sales are not included as gross income.	Ease of Administration	Cash Discounts	N/A	1995		Sales Tax	
§ 42-5061 (A) (7)	The sale of stocks and bonds.	Ease of Administration	Stocks and Bonds	\$92,741,000			Sales Tax	Intangible Exclusion
§ 42-5061 (A) (18)	Food and drink to a person who is engaged in business which is classified under the restaurant classification and which provides such food and drink without monetary charge to its employees for their own consumption on the premises during the employees' hours of employment.	Ease of Administration	Meals provided to Employees of Restaurants without charge	\$13,291,000			Sales Tax	
§ 42-5159 (A) (24)				N/A			Use Tax	
§ 42-5061 (A) (21)	The sale of precious metal bullion and monetized bullion to the ultimate consumer, but the sale of coins or other forms of money for manufacture into jewelry or works of art is subject to the tax. In this paragraph:	Ease of Administration	Precious Metal bullion and Monetized bullion	N/A			Sales Tax	Intangible Exclusion
§ 42-5064 (B) (5)	Telecommunications services purchased with a prepaid calling card, or a prepaid authorization number for telecommunications services, that is taxable under section 42-5061.	Ease of Administration	Sales of phone cards	N/A	1999	1999	Sales Tax	These cards are often sold by retail establishments. Much easier to tax them at the retail sale. It is unknown where the phone services will actually be used.
§ 42-5070 (B) (3)	Leasing or renting four or fewer rooms of an owner-occupied residential home, together with furnishing no more than a breakfast meal, to transient lodgers at no more than a fifty per cent average annual occupancy rate.	Ease of Administration	Leasing or renting four or fewer rooms of an owner occupied residence bed and breakfast with less than 50% average annual occupancy	N/A	1995	1995	Sales Tax	Intended to help small business owner who occasionally operates a bed and breakfast.

Tax Exemption Spreadsheet (Ease of Administration)

Statute Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	Sales Tax Use	Comments
§ 42-5071 (A) (3)	Leasing or renting tangible personal property by a parent corporation to a subsidiary corporation or by a subsidiary corporation to another subsidiary of the same parent corporation if taxes were paid under this chapter on the gross proceeds or gross income	Ease of Administration		N/A			Sales Tax	Often when related corporations lease real property to each other, there is no real rent payment. This follows the concept of the federal consolidated returns.
§ 42-5102 (A) (5)	A retailer who is a street or sidewalk vendor and who uses a pushcart, mobile facility, motor vehicle or other such conveyance.	Ease of Administration	Food for individual consumption.	N/A	1980	1997	Use Tax	
§ 42-5102 (A) (6)	Vending machines and other types of automatic retailers.	Ease of Administration	Food for individual consumption.	N/A	1980	1997	Use Tax	
§ 42-5151 (14)	<p>"Purchase price" or "sales price" means the total amount for which tangible personal property is sold, including any services that are a part of the sale, valued in money, whether paid in money or otherwise, and any amount for which credit is given to the purchaser by the seller without any deduction on account of the cost of the property sold, materials used, labor or services performed, interest charged, losses or other expenses, but does not include:</p> <p>(a) Discounts allowed and taken.</p> <p>(b) Charges for labor or services in installing, remodeling or repairing.</p> <p>(c) Freight costs billed to and collected from a purchaser by a retailer for tangible personal property which, on the order of the retailer, is shipped directly from a manufacturer or wholesaler to the purchaser.</p> <p>(d) Amounts attributable to federal excise taxes imposed by 26 United States Code section 4001, 4051 or 4091 on sales of heavy trucks and trailers and automobiles or on sales of use fuel, as defined in section 28-5601.</p>	Ease of Administration		N/A	1956		Use Tax	To conform Use Tax to Retail TPP
§ 42-5159 (A) (10)	Tangible personal property not exceeding two hundred dollars in any one month purchased by an individual at retail outside the continental limits of the United States for the individual's own personal use and enjoyment.	Ease of Administration	TPP not exceeding \$200 purchase by an individual at retail outside the Continental US	N/A			Use Tax	

Exemption

\$106,032,000

[illegible]

Services

Tax Exemption Spreadsheet (Services)

Statute/Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Ammended	TPT/Use Tax	Comments
Exclusion		Services (personal)	Automobile Parking	\$2,151,000				Outside the scope of the rental of real property. See Arizona Department of Revenue TPR 99-2.
Exclusion		Services (personal)	Automotive Services, Except Repair	\$19,333,000	1935			See Chapter 77 Laws 1935. Enactment of original TPT on retail sales.
Exclusion		Services (personal)	Watch, Clock & Jewelry Repair	\$652,000	1935?			
Exclusion		Services (personal)	Miscellaneous Repair & Relate Services	\$2,929,000				
Exclusion		Services (personal)	Dry Cleaning & Laundry	\$6,663,000				
Exclusion		Services (personal)	Hair, Nail & Skin Care Services	\$13,867,000				
Exclusion		Services (personal)	Footwear, Leather & Garment Repair & Alteration	\$467,000				
Exclusion		Services (personal)	Diet Reducing Services	\$2,030,000				
Exclusion		Services (personal)	Personal & Household Goods Repair	\$12,315,000				
Exclusion		Services (personal)	Miscellaneous Personal Services	\$1,760,000				
Exclusion		Services (personal)	Other Social Services	\$14,720,000				
Exclusion		Services (personal)	Technical & Trade Schools	\$8,440,000				

Exclusion	Services (personal)	Temporary Help Services	\$68,507,000		
Exclusion	Services (personal)	Death Care Services	\$7,321,000		Sales of coffins, etc. taxable.
Exclusion	Services (personal)	Photographic Studios, Portraits	\$2,766,000		Taxable See Arizona Administrative Code Section 15- 5-150
Exclusion	Services (personal)	Linen & Uniform Cleaning	\$8,616,000		Taxable under rental of personal property. See AAC R15-5-1502
§ 42-5061 (A) (2)	Services rendered in addition to selling tangible personal property at retail.	Services (personal)	Freight charges relating to nonmetalliferous mineral products	NIA	TPT All freight is exempt from tax if actual freight charged. Shipping and handling is taxable. See AAC R15-5-133
	Services (personal)	Re-upholstery & Furniture Repair	\$1,504,000		TPT Could be taxed under fabricating. See definition of "Sale" ARS Sec. 42- 5001.12(b).
§ 42-5061 (A) (3)	Sales of warranty or service contracts. The storage, use or consumption of tangible personal property provided under the conditions of such contracts is subject to tax under § 42-5156.	Services (personal)	Warranty or Service Contracts	1987	See Jim Click Ford v. City of Tucson, 154 Ariz. 48. TPT Court considered these intangible like an insurance policy.

Reported Total	\$174,041,000
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Tax Exemption Spreadsheet (Services)

Mainline Exclusion	Statute text	Category	Category Short	Description	Dollar Amount	Date Passed	Last Date Amended	TPT/ETC Tax	Comments
		Services (business to business)		Services to Dwellings & Other Buildings	\$34,790,000				Taxable if contracting
		Services (business to business)		Credit Reporting, Collection Agencies	\$11,476,000				
		Services (business to business)		Advertising Agencies, direct mail advertising & Display advertising	\$23,200,000	1984	Repealed effective Jan. 1, 1986. See Laws 1985, Chapter 298		Cites tax local advertising
		Services (business to business)		Public Relations	\$1,484,000				
		Services (business to business)		Market Research	\$5,216,000				
		Services (business to business)		Document Prep Services	\$2,529,000				
		Services (business to business)		Stenographic Services	\$1,139,000				
		Services (business to business)		Graphic Design	\$6,006,000				
		Services (business to business)		Computer Systems Design Services	\$32,054,000				
		Services (business to business)		Management Consulting Services	\$40,119,000				
		Services (business to business)		Environmental Consulting Services	\$3,400,000				
		Services (business to business)		Scientific & Technical Consulting Services	\$6,205,000				
		Services (business to business)		Scientific Research & Development	\$13,768,000				
		Services (business to business)		Testing Laboratories & Facilities	\$9,073,000				
		Services (business to business)		Investigation & Security Services	\$17,417,000				
Exclusion		Services (business to business)		Telemarketing Bureaus	\$12,227,000				
Exclusion		Services (business to business)		Computer Programming	\$22,221,000				
Exclusion		Services (business to business)		Telephone Answering Service	\$5,866,000				

§ 42-5061 (a) (1)
Professional or personal service occupations or businesses which involve sales or transfers of tangible personal property only as inconsequential elements.

TPT

Could be Taxed under Job Printing

Tax Exemption Spreadsheet (Services)

Nature of Exclusion	Nature of Exclusion	Category	Short Description	Dollar Amount	Date Entered	Last Date Amended	TPT Use Tax	Comments
<p>§ 42-5072 (C)</p> <p>The tax base includes the value of the entire product mined, quarried or produced for sale, profit or commercial use in this state, regardless of the place of sale of the product or of the fact that deliveries may be made to points without this state. If, however, the sale price of the product includes freight, the sale price shall be reduced by the actual freight paid by any person from the place of production to the place of delivery.</p>	Services (business to business)	Wages & Salaries for labor employed in construction	\$280,282,000				TPT	Tax base for prime contracting is 65% of the gross proceeds from the business. The 35% deduction is in lieu of labor. According to the industry the 35% amount is inadequate so some labor is taxed
	Exclusion	Services (professional)	Employee Leasing Services	\$66,461,000				
		Services (professional)	Legal	\$94,065,000				
		Services (professional)	Engineering	\$67,224,000				
		Services (professional)	Architectural	\$20,369,000				
		Services (professional)	Surveying	\$2,277,000				
		Services (professional)	Accounting, Auditing and Bookkeeping	\$40,773,000				
		Services (professional)	Physicians	\$163,114,000				
		Services (professional)	Optometrists	\$5,021,000				TPT
		Services (professional)	Chiropractors	\$8,922,000				
		Services (professional)	Dentists	\$45,463,000				
		Services (professional)	Physical, Occupational & Speech Therapists	\$7,966,000				
<p>§ 42-5061 (A) (1)</p> <p>Professional or personal service occupations or businesses which involve sales or transfers of tangible personal property only as inconsequential elements.</p>		Services (professional)	Nursing & Personal Care Facilities	\$45,724,000				
		Services (professional)	Outpatient Care	\$19,211,000				
		Services (professional)	Business Service Centers	\$11,963,000				
								Copying is taxable under job printing. If in a hotel or other taxable business would be included in taxable gross receipts.
<p>§ 42-5151 (14) (b) and (c)</p> <p>(b) Charges for labor or services in installing, remodeling or repairing. (c) Freight costs billed to and collected from a purchaser by a retailer for tangible personal property which, on the order of the retailer, is shipped directly from a manufacturer or wholesaler to the purchaser.</p>		Services (business to business)	labor and freight		1956		Use Tax	
Reported Total				\$1127,025,000				

Environmental

- purchases of machinery and equipment and other property necessary to meet environmental standards, prevent, reduce, and monitor pollution

Tax Exemption Spreadsheet (Environmental)

Statute Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
§ 42-5061 (B) (12)	Groundwater measuring devices required under § 45-604.	Environmental Industry	Water	N/A			TPT	
§ 42-5159 (B) (12)		Environmental Industry	Water	N/A			Use Tax	
§ 42-5061 (A) (27) (b)		Environmental Industry	Cleaning	N/A			TPT	
§ 42-5159 (A) (13) (g) (ii)	(b) Used in environmental response or remediation activities under section 42-5075, subsection B, paragraph 6.	Environmental Industry	Cleaning	N/A			Use Tax	
§ 42-5061 (B) (20)	Machinery and equipment that are sold to a person engaged in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products in this state and that are used directly and primarily to prevent, monitor, control or reduce air, water or land pollution.	Environmental Industry	environmentally friendly equipment	N/A		1995	TPT	
§ 42-5159 (B) (20)		Environmental Industry	environmentally friendly equipment	N/A		1995	Use Tax	
§ 42-5075 (B) (11)	The gross proceeds of sales or gross income that is derived from a contract entered into with a person who is engaged in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products in this state for the construction, alteration, repair, improvement, movement, wrecking or demolition or addition to or subtraction from any building, highway, road, excavation, manufactured building or other structure, project, development or improvement used directly and primarily to prevent, monitor, control or reduce air, water or land pollution.	Environmental Industry	Control, monitor and prevention activities	N/A			TPT	
§ 42-5061 (A) (36)	Sales of natural gas or liquefied petroleum gas used to propel a motor vehicle.	Environmental Industry	Alternative fuel	N/A	1993	1993	TPT	Laws 1993, Chapter 206
§ 42-5159 (A) (33)		Environmental Industry	Alternative fuel	N/A	1993	1993	Use Tax	Laws 1993, Chapter 206
§ 42-5061 (A) (47)	Sales of alternative fuel, as defined in § 1-215, to a used oil fuel burner who has received a permit to burn used oil or used oil fuel under § 49-426 or 49-480.	Environmental Industry	Alternative fuel	N/A	1998		TPT	
§ 42-5063 (B) (3)	Sales of alternative fuel, as defined in section 1-215, to a used oil fuel burner who has received a permit to burn used oil or used oil fuel under section 49-426 or 49-480.	Environmental Industry	Alternative fuel	N/A	1997	1997	TPT	Utilities Classification
§ 42-5159 (A) (42)		Environmental Industry	Alternative fuel	N/A	1997	1997	Use Tax	
§ 42-5071 (B) (2) (d)	(d) Section 42-5061, subsection O.	Environmental Industry	environmentally friendly equipment	N/A				
§ 42-5075 (B) (2)	Sales and installation of groundwater measuring devices required under section 45-604 and groundwater monitoring wells required by law, including monitoring wells installed for acquiring information for a permit required by law.	Environmental Industry	water	N/A			TPT	

Tax Exemption Spreadsheet (Environmental)

Statute Exclusion	Statute Text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
§ 42-5061 (B) (19)	Machinery or equipment, including related structural components, that is employed in connection with manufacturing, processing, fabricating, job printing, refining, mining, natural gas pipelines, metallurgical operations, telecommunications, producing or transmitting electricity or research and development and that is used directly to meet or exceed rules or regulations adopted by the federal energy regulatory commission, the United States environmental protection agency, the United States nuclear regulatory commission, the Arizona department of environmental quality or a political subdivision of this state to prevent, monitor, control or reduce land, water or air pollution.	Environmental Industry	environmentally friendly equipment	NIA	1998	1998	TPT	Laws 1999, Retroactive to tax periods beginning from and after May 19, 1977
§ 42-5159 (B) (19)				NIA	1998	1998	Use Tax	
§ 42-5061 (A) (50)	Sales of alternative fuel vehicles, as defined in § 43-1086, if the vehicle was manufactured as a diesel fuel vehicle and converted to operate on alternative fuel and equipment that is installed in a conventional diesel fuel motor vehicle to convert the vehicle to operate on an alternative fuel, as defined in § 1-215.	Environmental Industry	Alternative fuel	NIA	1998	1998	TPT	Alternative fuel vehicles
§ 42-5159 (A) (44)				NIA	1998	1998	Use Tax	
§ 42-5061 (A) (52)	Sales of tangible personal property to be incorporated or installed as part of environmental response or remediation activities under § 42-5075, subsection B, paragraph 6.	Environmental Industry	Cleaning Equipment	NIA	1998	1998	TPT	
§ 42-5159 (A) (47)				NIA	1998	1998	Use Tax	
§ 42-5061 (O)	There shall be deducted from the tax base the amount received from sales of solar energy devices, but the deduction shall not exceed five thousand dollars for each solar energy device. Before deducting any amount under this subsection, the retailer shall register with the department as a solar energy retailer. By registering, the retailer acknowledges that it will make its books and records relating to sales of solar energy devices available to the department for examination.	Environmental Industry	Solar energy devices	NIA			TPT	
§ 42-5063 (B) (2)	Sales of natural gas or liquefied petroleum gas used to propel a motor vehicle.	Environmental Industry	Alternative fuel	NIA			TPT	
§ 42-5075 (B) (6)	The gross proceeds of sales or gross income from a contract to provide for one or more of the following actions, or a contract for site preparation, constructing, furnishing or installing machinery, equipment or other tangible personal property, including structures necessary to protect exempt incorporated materials or installed machinery or equipment, and tangible personal property incorporated into the project, to perform one or more of the following actions in response to a release or suspected release of a hazardous substance, pollutant or contaminant from a facility to the environment, unless the release was authorized by a permit issued by a governmental authority: (a) Actions to monitor, assess and evaluate such a release or a suspected release. (b) Excavation, removal and transportation of contaminated soil and its treatment or disposal. (c) Treatment of contaminated soil by vapor extraction, chemical or physical stabilization, soil washing or biological treatment to reduce the concentration, toxicity or mobility of a contaminant. (d) Pumping and treatment or in situ treatment of contaminated groundwater or surface water (e) The installation of structures, such as cutoff walls or caps, to contain contaminants, prevent	Environmental Industry	Contracts for environmental activities	NIA			TPT	

Tax Exemption Spreadsheet (Environmental)

Statute Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
§ 42-5075 (B) (14)	For taxable periods beginning from and after December 31, 1996 and ending before January 1, 2011, the contractor's retail cost of solar energy devices that the contractor supplies and installs pursuant to contracts. The deduction shall not exceed five thousand dollars for each solar energy device. Before deducting any amount under this paragraph, the contractor shall register with the department as a solar energy contractor. By registering, the contractor acknowledges that it will make its books and records relating to sales of solar energy devices available to the department for examination.	Environmental Industry	Solar energy devices	N/A			TPT	

Reported Total

N/A

Economic Development/Industry Subsidies

- encourage and promote certain types of economic activity
by reducing the tax burden associated with elements of that activity
(e.g. exempt air craft repair tools, exempt clean rooms used for high tech manufacturing)**

Tax Exemption Spreadsheet (Economic Development)

Statute Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
§ 42-5075 (B) (15)	The gross proceeds of sales or gross income derived from a contract entered into for the construction of a launch site, as defined in 14 Code of Federal Regulations section 401.5.	Economic Development (Aerospace)	Launch site				TPT	
§ 42-5061 (B) (8)	Machinery, tools, equipment and related supplies used or consumed directly in repairing, remodeling or maintaining aircraft, aircraft engines or aircraft component parts by or on behalf of a certificated or licensed carrier of persons or property.	Economic Development (Aerospace)	Machinery, tools, equipment used in repairing, remodeling or maintaining aircraft, aircraft engines or aircraft component parts	N/A	1992	1992	TPT	Laws 1992, Chapter 222
§ 42-5159 (B) (8)				N/A	1992	1992	Use Tax	Laws 1992, Chapter 222
§ 42-5061 (A) (49)	Tangible personal property sold to a commercial airline and consisting of food, beverages and condiments and accessories used for serving the food and beverages, if those items are to be provided without additional charge to passengers for consumption in flight. For purposes of this paragraph, "commercial airline" means a person holding a federal certificate of public convenience and necessity or foreign air carrier permit for air transportation to transport persons, property or United States mail in intrastate, interstate or foreign commerce.	Economic Development (Airline)	TPT consisting of food, beverages and condiments sold to or purchased by a commercial airline	N/A	1997	1997	TPT	Retroactive to Jan. 1, 1982
§ 42-5159 (A) (43)				N/A	1997	1997	Use Tax	
§ 42-5061 (B) (7)	Aircraft, navigational and communication instruments and other accessories and related equipment sold to: (a) A person holding a federal certificate of public convenience and necessity, a supplemental air carrier certificate under federal aviation regulations (14 Code of Federal Regulations part 121) or a foreign air carrier permit for air transportation for use as or in conjunction with or becoming a part of aircraft to be used to transport persons, property or United States mail in intrastate, interstate or foreign commerce. (b) Any foreign government for use by such government outside of this state. (c) Persons who are not residents of this state and who will not use such property in this state other than in removing such property from this state. This subdivision also applies to corporations that are not incorporated in this state, regardless of maintaining a place of business in this state, if the principal	Economic Development (Airline)	Certain aircraft, navigational and communication instruments	N/A	1967		Use Tax	
§ 42-5159 (B) (7)				N/A	1967		Use Tax	
§ 42-5074 (C)	The tax imposed on the restaurant classification pursuant to this section does not apply to the gross proceeds of sales or gross income from tangible personal property sold to a commercial airline consisting of food, beverages and condiments and accessories used for serving the food and beverages, if those items are to be provided without additional charge to passengers for consumption in flight. For purposes of this subsection, "commercial airline" means a person holding a federal certificate of public convenience and necessity or foreign air carrier permit for air transportation to transport persons, property or United States mail in intrastate, interstate or foreign commerce.	Economic Development (Airline)	TPT consisting of food, beverages and condiments sold to or purchased by a commercial airline	N/A	1997	1997	TPT	
§ 42-5061 (A) (44)	Sales of implants used as growth promotants and injectable medicines, not already exempt under paragraph 8 of this subsection, for livestock or poultry owned by or in possession of persons who are engaged in producing livestock, poultry, or livestock or poultry products or who are engaged in feeding livestock or poultry commercially. For purposes of this paragraph, "poultry" includes raptors.	Economic Development (Industry)	Sale or purchase of implants used as growth promotants and injectable medicine	N/A	1994	1994	TPT	Laws 1994, Chapter 307.
§ 42-5159 (A) (7)		Subsidy/Agriculture)		N/A	1994	1994	Use Tax	Laws 1994, Chapter 307.
§ 42-5061 (B) (5)	Neat animals, horses, asses, sheep, raptors, swine or goats used or to be used as breeding or production stock, including sales of breedings or ownership shares in such animals used for breeding or production.	Economic Development (Agriculture)	Neat animals, horses, asses, sheep, swine, or goats used or to be used as breeding or production stock	N/A			TPT	
§ 42-5159 (B) (5)				N/A			Use Tax	

Tax Exemption Spreadsheet (Economic Development)

Statute Exclusion	Statute Text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
§ 42-5061 (B) (13)	New machinery and equipment consisting of tractors, tractor-drawn implements, self-powered implements, machinery and equipment necessary for extracting milk, and machinery and equipment necessary for cooling milk and livestock, and drip irrigation lines not already exempt under paragraph 6 of this subsection and that are used for commercial production of agricultural, horticultural, viticultural and floricultural crops and products in this state. In this paragraph: (a) "New machinery and equipment" means machinery and equipment which have never been sold at retail except pursuant to leases or rentals which do not total two years or more. (b) "Self-powered implements" includes machinery and equipment that are electric-powered.	Economic Development (Agriculture)	Agricultural equipment	N/A			TPT	
§ 42-5159 (B) (13)				N/A			Use Tax	
§ 42-5061 (B) (18)	Machinery and equipment used directly in the feeding of poultry, the environmental control of housing for poultry, the movement of eggs within a production and packaging facility or the sorting or cooling of eggs. This exemption does not apply to vehicles used for transporting eggs.	Economic Development (Agriculture)	Machinery and equipment used in the feeding of poultry or production and packaging of eggs	N/A	1998	1998	TPT	
§ 42-5159 (B) (18)				N/A	1998	1998	Use Tax	
§ 42-5061 (B) (20)	Machinery and equipment that are sold to a person engaged in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products in this state and that are used directly and primarily to prevent, monitor, control or reduce air, water or land pollution.	Economic Development (Agriculture)	New machinery and equipment used for commercial production of agricultural, horticultural viticultural and floricultural crops	N/A		1995	TPT	
§ 42-5159 (B) (20)				N/A		1995	Use Tax	

Tax Exemption Spreadsheet (Economic Development)

Name/Exclusion	Statute Text	Citation	Category/Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
§ 42-5075 (B) (10)	The gross proceeds of sales or gross income received from a contract for the construction of an environmentally controlled facility for the raising of poultry for the production of eggs and the sorting, cooling and packaging of eggs.	Economic Development (Agriculture)	Agricultural equipment	N/A			TPT	
§ 42-5075 (B) (4)	The gross proceeds of sales or gross income received from a contract entered into for the construction, alteration, repair, addition, subtraction, improvement, movement, wrecking or demolition of any building, highway, road, railroad, excavation, manufactured building or other structure, project, development or improvement located in a military reuse zone for providing aviation or aerospace services or for a manufacturer, assembler or fabricator of aviation or aerospace products within five years after the zone is initially established or renewed under section 41-1531. To qualify for this deduction, before beginning work under the contract the prime contractor must obtain a letter of qualification from the department of revenue.	Economic Development (Construction industry to federal government)	Contracting in a military reuse zone for a manufacturer, assembler or fabricator of aviation or aerospace products	N/A			TPT	
§ 42-5061 (B) (4)	Machinery, equipment or transmission lines used directly in producing or transmitting electrical power, but not including distribution. Transformers and control equipment used at transmission substation sites constitute equipment used in producing or transmitting electrical power.	Economic Development (Energy)	Machinery, equipment or transmission lines used directly in producing or transmitting electrical power	N/A	1967	Senate Bill 4, 1967	TPT	
§ 42-5061 (B) (10)	Machinery or equipment used directly to drill for oil or gas or used directly in the process of extracting oil or gas from the earth for commercial purposes.	Economic Development (Energy)	Gas and Oil	N/A	1967		TPT	
§ 42-5159 (B) (10)				N/A	1967		Use Tax	
§ 42-5071 (A) (1)	or used by television stations or radio stations.	Economic Development (Entertainment)	Entertainment	N/A			TPT	
§ 42-5061 (B) (21)	Machinery or equipment that enables a television station to originate and broadcast or to receive and broadcast digital television signals and that was purchased to facilitate compliance with the telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United States Code § 336) and the federal communications commission order issued April 21, 1997 (47 Code of Federal Regulations part 73). This paragraph does not exempt any of the following: (a) Repair or replacement parts purchased for the machinery or equipment described in this paragraph. (b) Machinery or equipment purchased to replace machinery or equipment for which an exemption was previously claimed and taken under this paragraph. (c) Any machinery or equipment purchased after the television station has ceased analog broadcasting, or purchased after November 1, 2009, whichever occurs first.	Economic Development (Entertainment)	Digital television machinery and equipment purchases for compliance with the Telecommunications Act of 1996	N/A	1998	1998	TPT	
§ 42-5159 (B) (21)				N/A	1988	2002	Use Tax	
§ 42-5061 (B) (15)	Machinery and equipment that are purchased by or on behalf of the owners of a soundstage complex and primarily used for motion picture, multimedia or interactive video production in the			N/A	1996	1996	TPT	

Tax Exemption Spreadsheet (Economic Development)

Statute Extension	Statute Text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
	complex. This paragraph applies only if the initial construction of the soundsstage complex begins after June 30, 1996 and before January 1, 2002 and the machinery and equipment are purchased before the expiration of five years after the start of initial construction. For purposes of this paragraph:							
§ 42-5159 (B) (15)	(a) "Motion picture, multimedia or interactive video production" includes products for theatrical and television release, educational presentations, electronic retailing, documentaries, music videos, industrial films, CD-ROM, video game production, commercial advertising and television episode production and other genres that are introduced through developing technology; (b) "Soundsstage complex" means a facility of multiple stages including production offices, construction shops and related areas, prop and costume shops, storage areas, parking for production vehicles and areas that are leased to businesses that complement the production needs and orientation	Economic Development (Entertainment)	Machinery and equipment purchased by or on behalf of owners of a soundsstage complex	N/A	1988	2002	Use Tax	
§ 42-5073 (B) (1)	The gross proceeds of sales or gross income derived from memberships, including initiation fees, which provide for the right to use a health or fitness establishment or a private recreational establishment, or any portion of an establishment, including tennis and other racquet courts at that establishment, for participatory purposes for twenty-eight days or more and fees charged for use of the health or fitness establishment or private recreational establishment by bona fide accompanied guests of members, except that this paragraph does not include additional fees, other than initiation fees, charged by a health or fitness establishment or a private recreational establishment for purposes other than memberships which provide for the right to use a health or fitness establishment or private recreational establishment, or any portion of an establishment, for participatory purposes for twenty-eight days or more and accompanied guest use fees.	Economic Development (Entertainment/Health)	Private or group instructional activities, membership and initiation fees for health clubs or private recreational establishments with memberships greater than 28 days	\$17,280,000	1995	1996	TPT	
§ 42-5073 (B) (3)	The gross proceeds of sales or gross income derived from membership fees, including initiation fees, that provide for the right to use a transient lodging recreational establishment, including golf courses and tennis and other racquet courts at that establishment, for participatory purposes for twenty-eight days or more, except that this paragraph does not include additional fees, other than initiation fees, that are charged by a transient lodging recreational establishment for purposes other than memberships and that provide for the right to use a transient lodging recreational establishment or any portion of the establishment for participatory purposes for twenty-eight days or more.	Economic Development (Entertainment/Tourism)	Golf packages for groups		1995	1996	TPT	
§ 42-5061 (E)	In addition to the deductions from the tax base prescribed by subsection A of this section, there shall be deducted from the tax base the gross proceeds of sales or gross income derived from sales of machinery, equipment, materials and other tangible personal property used directly and predominantly to construct a qualified environmental technology manufacturing, producing or processing facility as described in § 41-1514.02. This subsection applies for ten full consecutive calendar or fiscal years after the start of initial construction.	Economic Development (Environmental Technology)	Machinery, equipment, utility product, materials and other TPP used to construct a qualified environmental technology facility	N/A			TPT	
§ 42-5075 (B) (5)	The gross proceeds of sales or gross income derived from a contract to construct a qualified environmental technology manufacturing, producing or processing facility, as described in section 41-1514.02, and from subsequent construction and installation contracts that begin within ten years after the start of initial construction. To qualify for this deduction, before beginning work under the contract the prime contractor must obtain a letter of qualification from the department of revenue. This paragraph shall apply for ten full consecutive calendar or fiscal years after the start of initial construction.	Economic Development (Environmental Technology)	Gross proceeds from contracts to construct a qualified environmental technology facility	N/A			TPT	

Tax Exemption Spreadsheet (Economic Development)

Statute Exclusion	Statute Text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPI Use Tax	Comments
§ 42-5061 (A) (38)	Coal, petroleum, coke, natural gas, virgin fuel oil and electricity sold to a qualified environmental technology manufacturer, producer or processor as defined in § 41-1514.02 and directly used or consumed in the generation or provision of on-site power or energy solely for environmental technology manufacturing, producing or processing or environmental protection. This paragraph shall apply for fifteen full consecutive calendar or fiscal years from the date the first paper manufacturing machine is placed in service. In the case of an environmental technology manufacturer, producer or processor who does not manufacture paper, the time period shall begin with the date the first manufacturing, processing or production equipment is placed in service.	Economic Development (Environmental Technology)	Coal, petroleum, coke natural gas, virgin fuel oil and electricity to an environmental technology facility	N/A	1993	1993	TPT	Laws 1993, Chapter 258
§ 42-5159 (A) (31)								
§ 42-5063 (C) (4)	The portion of gross proceeds of sales or gross income that is derived from sales to an environmental technology manufacturer, producer or processor as defined in section 41-1514.02 of a utility product and that is used directly in environmental technology manufacturing, producing or processing. This paragraph shall apply for fifteen full consecutive calendar or fiscal years from the date the first paper manufacturing machine is placed in service. In the case of an environmental technology manufacturer, producer or processor who does not manufacture paper, the time period shall begin with the date the first manufacturing, processing or production equipment is placed in service.	Economic Development (Environmental Technology)	Environmental technology	N/A			TPT	
§ 42-5063 (C) (4)	The portion of gross proceeds of sales or gross income that is derived from sales to an environmental technology manufacturer, producer or processor as defined in section 41-1514.02 of a utility product and that is used directly in environmental technology manufacturing, producing or processing. This paragraph shall apply for fifteen full consecutive calendar or fiscal years from the date the first paper manufacturing machine is placed in service. In the case of an environmental technology manufacturer, producer or processor who does not manufacture paper, the time period shall begin with the date the first manufacturing, processing or production equipment is placed in service.	Economic Development (Environmental Technology)	Environmentally friendly equipment	N/A			TPT	
§ 42-5071 (A) (6)	Leasing or renting tangible personal property for incorporation into or comprising any part of a qualified environmental technology facility as described in section 41-1514.02. This paragraph shall apply for ten full consecutive calendar or fiscal years following the initial lease or rental by each qualified environmental technology manufacturer, producer or processor.	Economic Development (Environmental Technology)	Leasing or renting personal property for incorporation into a qualified environmental technology facility	N/A			TPT	

Tax Exemption Spreadsheet (Economic Development)

Statute	Section	Category	Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT / Use Tax	Comments
§ 42-5061 (B) (17)	Clean rooms that are used for manufacturing, processing, fabrication or research and development, as defined in paragraph 14 of this subsection, of semiconductor products. For purposes of this paragraph, "clean room" means all property that comprises or creates an environment where humidity, temperature, particulate matter and contamination are precisely controlled within specified parameters, without regard to whether the property is actually contained within that environment or whether any of the property is affixed to or incorporated into real property. Clean room.	Economic Development (Hightech)	Clean rooms used for manufacturing, processing fabrication or research and development	N/A	1997	1997	TPT	Laws 1997, Chapter 61
§ 42-5159 (B) (17)	(a) Includes the integrated systems, fixtures, piping, movable partitions, lighting and all property that is necessary or adapted to reduce contamination or to control airflow, temperature, humidity, chemical purity or other environmental conditions or manufacturing tolerances, as well as the production machinery and equipment operating in conjunction with the clean room environment. (b) Does not include the building or other permanent, nonremovable component of the building that houses the clean room environment.	Manufacture/Semi-conductor	Gross income from machinery, equipment and materials used directly to construct a qualified environmental technology facility	N/A			Use Tax	
§ 42-5075 (B) (12)	The gross proceeds of sales or gross income that is derived from the installation, assembly, repair or maintenance of clean rooms that are deducted from the tax base of the retail classification pursuant to section 42-5061, subsection B, paragraph 17.	Economic Development (Hightech)	Gross income from installation, assembly, repair or maintenance of clean rooms	N/A			TPT	
§ 42-5061 (A) (39)	Sales of liquid, solid or gaseous chemicals used in manufacturing, processing, fabricating, mining, refining, metallurgical operations, research and development and, beginning on January 1, 1999, printing, if using or consuming the chemicals, alone or as part of an integrated system of chemicals, involves direct contact with the materials from which the product is produced for the purpose of causing or permitting a chemical or physical change to occur in the materials as part of the production process. This paragraph does not include chemicals that are used or consumed in activities such as packaging, storage or transportation but does not affect any deduction for such chemicals that is otherwise provided by this section. For purposes of this paragraph, "printing" means a commercial printing operation and includes job printing, engraving, embossing, copying and bookbinding.	Economic Development (Manufacture and Mining)	Liquid, solid or gaseous chemicals used in manufacturing, processing, fabricating, mining, refining, metallurgical operations or research and development	N/A	1994	1998	TPT	Laws 1994, chapter 41
§ 42-5159 (A) (35)				N/A			Use Tax	
§ 42-5061 (B) (1)	Machinery, or equipment, used directly in manufacturing, processing, fabricating, job printing, refining or metallurgical operations. The terms "manufacturing", "processing", "fabricating", "job printing", "refining" and "metallurgical" as used in this paragraph refer to and include those operations commonly understood within their ordinary meaning. "Metallurgical operations" includes leaching, milling, precipitating, smelting and refining.	Economic Development (Manufacture and Mining)	Machinery or equipment used directly in manufacturing, processing, fabricating, job printing, refining or metallurgical operations	\$122,374,000	1967		TPT	Changed from 42-1312
§ 42-5071 (A) (5)	Leasing or renting semitrailers manufactured in Arizona, as defined in section 28-101, to a person who holds a United States department of transportation number for use in interstate commerce.	Economic Development (Manufacture)	Leasing or renting semitrailers manufactured in Arizona	N/A			TPT	Unconstitutional. I understand that there are no manufactures of semitrailers in AZ.
§ 42-5065 (B) (1)	Gross income derived from advertising.	Economic Development (Media)	Gross income of publications derived from advertising	\$23,204,000	1985		TPT	
§ 42-5066 (B) (1) (b)	Distributes such printing, engraving, embossing or copying without consideration in connection with the publication of a newspaper or magazine.	Economic Development (Media)	Sales to a person who distributes printing, engraving, embossing or copying without consideration in connection with the	N/A			TPT	
§ 42-5071 (B) (2)	2. Leases or rentals of tangible personal property which, if it had been purchased instead of leased or rented by the lessee, would have been exempt under: (a) Section 42-5061, subsection A, paragraph 51.	Economic Development (Mining)	Machinery or equipment used in mining and in drilling for or extracting oil or gas from the earth	N/A	1967	Senate Bill 4, 1967	TPT	

Tax Exemption Spreadsheet (Economic Development)

Statute Exclusion	Statute Text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
§ 42-5061 (B) (2)	Mining machinery, or equipment, used directly in the process of extracting ores or minerals from the earth for commercial purposes, including equipment required to prepare the materials for extraction and handling; loading or transporting such extracted material to the surface. "Mining" includes underground, surface and open pit operations for extracting ores and minerals.	Economic Development (Mining)	Machinery or equipment used in mining and in drilling for or extracting oil or gas from the earth	\$16,220,000	1967	Senate Bill 4, 1967	TPT	
§ 42-5159 (B) (2)				N/A	1967	Senate Bill 4, 1967	Use Tax	
§ 42-5061 (A) (42)	A motor vehicle and any repair and replacement parts and tangible personal property becoming a part of such motor vehicle sold to a motor carrier who is subject to a fee prescribed in title 28, chapter 16, article 4 [PN10] and who is engaged in the business of leasing or renting such property.	Economic Development (Industry Subsidy/Motor Vehicle)	Motor Vehicles and any TPT or repair that becomes a part of the motor vehicles sold to a licensed motor operator that lease or rent the property	N/A	1994	1994	TPT	Ryder v. City of Phoenix, Laws 1994, Chapter 328, retroactive to July 1, 1982 (date the motor carrier tax was enacted.)
§ 42-5001 (6)	"Gross income" and "gross proceeds of sales" do not include goods, wares or merchandise, or value thereof, returned by customers if the sale price is refunded either in cash or by credit, nor the value of merchandise traded in on the purchase of new merchandise when the trade-in allowance is deducted from the sales price of the new merchandise before completion of the sale.	Economic Development (Motor Vehicles)	trade-ins	N/A			TPT	Industry subsidy for auto-dealers
§ 42-5159 (A) (37)	A motor vehicle and any repair and replacement parts and tangible personal property becoming a part of such motor vehicle sold to a motor carrier who is subject to a fee prescribed in title 28, chapter 16, article 4 [PN9] and who is engaged in the business of leasing or renting such property.	Economic Development (Motor Vehicles)	Motor Vehicles and any TPT or repair that becomes a part of the motor vehicles sold to a licensed motor operator that lease or rent the property	N/A	1994	1994	Use Tax	Ryder v. City of Phoenix, Laws 1994, Chapter 328, retroactive to July 1, 1982 (date the motor carrier tax was enacted.)
§ 42-5071 (B) (4)	Leasing or renting a motor vehicle subject to and upon which the fee has been paid under title 28, chapter 16, article 4.	Economic Development (Motor Vehicles)	Leasing/Renting cars	N/A			TPT	
§ 42-5061 (B) (9)	Railroad rolling stock, rails, ties and signal control equipment used directly to transport persons or property.	Economic Development (Railroad)	Railroad rolling stock, rails, ties and signal control equipment used to transport persons	N/A	1967		TPT	
§ 42-5159 (B) (9)				N/A	1967		Use Tax	
§ 42-5073 (B) (5) (b)	Business activity that is arranged by the person who is subject to tax under this section and that is not taxable to the person conducting the activity due to an exclusion, exemption or deduction under this section or section 42-5062, but the gross proceeds of sales or gross income to be deducted shall not exceed the consideration paid to the person conducting the activity.	Economic Development (Sale to the federal government)		N/A			TPT	
§ 42-5061 (K) (1)	Sales made directly to the United States government or its departments or agencies by a manufacturer, modifier, assembler or repairer.	Economic Development (Sale to the federal government)	Sales to US Government	N/A	1956		TPT	Cut back on TPT collected on sale to Federal Government
§ 42-5061 (K) (3)	Overhead materials or other tangible personal property that is used in performing a contract between the United States government and a manufacturer, modifier, assembler or repairer, including property used in performing a subcontract with a government contractor who is a manufacturer, modifier, assembler or repairer, to which title passes to the government under the terms of the contract or subcontract.	Economic Development (Sale to the federal government)	Overhead materials or other TPT to a manufacturer, modifier, assembler or repairer if performing a contract between the U S Government and the manufacturer	N/A			TPT	See Motorola v. ADOR
§ 42-5159 (A) (39)				N/A	1988	2002	Use Tax	Cut back on TPT collected on sale to Federal Government

Tax Exemption Spreadsheet (Economic Development)

Statute Exclusion	Statute Text	Category	Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
§ 42-5061 (K) (4)	Sales of overhead materials or other tangible personal property to a manufacturer, modifier, assembler or repairer if the gross proceeds of sales or gross income derived from the property by the manufacturer, modifier, assembler or repairer will be exempt under paragraph 3 of this subsection.	Economic Development (Sale to the federal government)		N/A	1988	HBC(20)9, 2003	TPT	Cut back on TPT collected on sale to Federal Government
§ 42-5071 (B) (2) (c)	(c) Section 42-5061, subsection K, paragraph 1.	Economic Development (Sale to the federal government)	Machinery or equipment used in mining and in drilling for or extracting oil or gas from the earth.	N/A				
§ 42-5061 (L)	There shall be deducted from the tax base fifty per cent of the gross proceeds or gross income from any sale of tangible personal property made directly to the United States government or its departments or agencies, which is not deducted under subsection K of this section.	Economic Development (Sale to the federal government)	Sales to US Government	N/A	1956		TPT	Cut back on TPT collected on sale to Federal Government
§ 42-5075 (B) (9)	The gross proceeds of sales or gross income attributable to the purchase of machinery, equipment or other tangible personal property that is exempt from or deductible from transaction privilege and use tax under: (a) Section 42-5061, subsection A, paragraph 25 or 29. (b) Section 42-5061, subsection B. (c) Section 42-5159, subsection A, paragraph 13, subdivision (a), (b), (c), (d), (e), (f), (i) or (j). (d) Section 42-5159, subsection B.	Economic Development (Sale to the federal government)		N/A	1998	1998	TPT	Carries certain retail exemptions into prime contracting. Prior to this being enacted property owner needed to enter into an agency agreement with contractor. See Brink.
§ 42-5061 (B) (3)	Tangible personal property sold to persons engaged in business classified under the telecommunications classification and consisting of central office switching equipment, switchboards, private branch exchange equipment, microwave radio equipment and carrier equipment including optical fiber, coaxial cable and other transmission media which are components of carrier systems.	Economic Development (Telecommunication §)	Certain equipment used in the telecommunications industry	N/A	1967	Senate Bill 4, 1967	TPT	
§ 42-5159 (B) (3)				N/A	1967	Senate Bill 4, 1967	Use Tax	
§ 42-5159 (A) (41)	Wireless telecommunications equipment that is held for sale or transfer to a customer as an inducement to enter into or continue a contract for telecommunications services that are taxable under section 42-5064.	Economic Development (Telecommunication §)	Wireless telecommunication equipment as an inducement to enter into or continue a contract for telecommunication services or sales commissions received	N/A			Use Tax	
§ 42-5064 (A) (1)	Sales of intrastate telecommunications services by a cable television system as defined in section 9-505 or by a microwave television transmission system that transmits television programming to multiple subscribers and that is operated pursuant to 47 Code of Federal Regulations parts 21 and 74.	Economic Development (Telecommunication §)	Intrastate telecommunications services by a cable television system or by a microwave television transmission	\$23,801,000			TPT	
§ 42-5064 (B) (1) (b)	A direct broadcast satellite television or data transmission service that operates pursuant to 47 Code of Federal Regulations parts 25 and 100 for use in its direct broadcast satellite television or data transmission operation by a facility described in section 42-5061, subsection B, paragraph 16, subdivision (b).	Economic Development (Telecommunication §)	Direct broadcast satellite television services	N/A			TPT	
§ 42-5064 (B) (4)	Sales of direct broadcast satellite television services pursuant to 47 Code of Federal Regulations parts 25 and 100 by a direct broadcast satellite television service that operates pursuant to 47 Code of Federal Regulations parts 25 and 100.	Economic Development (Telecommunication §)	Services by direct broadcast satellite television services	N/A	1996	1996	TPT	
§ 42-5061 (B) (16)	Tangible personal property that is used by either of the following to receive, store, convert, produce, generate, decode, encode, control or transmit telecommunications information: (a) Any direct broadcast satellite television or data transmission service that operates pursuant to 47 Code of Federal Regulations parts 25 and 100.			N/A	1996	1996	TPT	

Tax Exemption Spreadsheet (Economic Development)

Statute Exclusion	Statute Text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
	CODE OF FEDERAL REGULATIONS parts 27 and 100. (b) Any satellite television or data transmission facility, if both of the following conditions are met: (i) Over two-thirds of the transmissions, measured in megabytes, transmitted by the facility during the test period were transmitted to or on behalf of one or more direct broadcast satellite television or data transmission services that operate pursuant to 47 Code of Federal Regulations parts 25 and 100. (ii) Over two-thirds of the transmissions, measured in megabytes, transmitted by or on behalf of those direct broadcast television or data transmission services during the test period were transmitted by the facility to or on behalf of those services.	Economic Development	TPT used by any direct broadcast satellite television or data transmission service or facility		1997	1997	Use Tax	American Sky Broadcasting
§ 42-5159 (B) (16)				N/A	1997	1997	Use Tax	
§ 42-5061 (A) (26)	Magazines or other periodicals or other publications by this state to encourage tourist travel.	Economic Development (Tourism)	MAGAZINES OR OTHER periodicals or other publications to encourage tourist travel	\$17,000			TPT	
§ 42-5065 (A) (2)	Sales of magazines or other periodicals or other publications by this state to encourage tourist travel.	Economic Development (Tourism)	Publications to encourage tourism	N/A			TPT	Publication classification
§ 42-5159 (A) (29)				N/A			Use Tax	
§ 42-5061 (A) (30)	Sales of tangible personal property by a nonprofit organization that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the organization is associated with a major league baseball team or a national touring professional golfing association and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.	Economic Development (Tourism)	TPT sold by a nonprofit organization associated with a major league baseball team or a national touring professional golf association	N/A	1990	1990	TPT	Laws 1990, Chapter 239, Retroactive to 1/1/1986.
§ 42-5061 (A) (32)	Sales of tangible personal property by a nonprofit organization that is exempt from taxation under section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code if the organization sponsors or operates a rodeo featuring primarily farm and ranch animals and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.	Economic Development (Tourism)	TPT sold by a nonprofit organization associated with a rodeo featuring primarily farm and ranch animals	N/A		1990	TPT	Laws 1990, Chapter 239, Retroactive to 7/1/1984
§ 42-5074 (B) (5)	Sales at a rodeo featuring primarily farm and ranch animals in this state by a nonprofit organization that is exempt from taxation under § 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.	Economic Development (Tourism)	Entertainment for tourists	N/A		1990	TPT	Laws 1990, Chapter 239, Retroactive to 7/1/1985 - Restaurant sales
§ 42-5159 (A) (15) (c)				N/A		1990	Use Tax	Laws 1990, Chapter 239, Retroactive to 7/1/1986
§ 42-5061 (A) (46)	Tangible personal property sold to a person engaged in business and subject to tax under the transient lodging classification if the tangible personal property is a personal hygiene item or articles used by human beings for food, drink or condiment, except alcoholic beverages, which are furnished without additional charge to and intended to be consumed by the transient during the transient's occupancy.	Economic Development (Tourism)	Personal hygiene products which are furnished to and to be consumed by hotel occupant	N/A	1995	1995	TPT	Laws 1995, Chapter 267, Retroactive to July 1, 1990.
§ 42-5159 (A) (13) (k)				N/A	1995	1995	Use Tax	
§ 42-5070 (A)	The transient lodging classification is comprised of the business of operating, for occupancy, by transients, a hotel or motel, including an inn, tourist home or house; dude ranch, resort, campground, studio or bachelor hotel; lodging house, rooming house, apartment house, dormitory, public or private club, mobile home or house trailer at a fixed location or other similar structure, and also including a space, lot or slab which is occupied or intended or designed for occupancy by transients in a mobile home or house trailer furnished by them for such occupancy. For purposes of this subsection "transient" means any person who either at the person's own expense or at the expense of another obtains lodging space or the use of lodging space on a daily or weekly basis, or on any other basis for less than thirty consecutive days.	Economic Development (Tourism)	Transient lodging	N/A		1993	TPT	

Tax Exemption Spreadsheet (Economic Development)

Statute Citation	Statute Text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
§ 42-5073 (A) (5)	Exhibition events in this state sponsored, conducted or operated by a nonprofit organization that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the organization is associated with major league baseball teams or a national touring professional golfing association and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.	Economic Development (Tourism)	Entertainment for tourists	N/A		1995	TPT	
§ 42-5073 (A) (6)	Operating or sponsoring rodeos that feature primarily farm and ranch animals in this state and that are sponsored, conducted or operated by a nonprofit organization that is exempt from taxation under section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.	Economic Development (Tourism)	Entertainment for tourists	N/A	1988	2001	TPT	

Tax Exemption Spreadsheet (Economic Development)

Statute & Revision	Statute Text	Category	Activity/Short Description	Dollar Amount	Date Entered	Last Date Amended	TPT Use Tax	Comments
§ 42-5073 (A) (7)	Sales of admissions to intercollegiate football contests if the contests are both: (a) Operated by a nonprofit organization that is exempt from taxation under section 501(c)(3) of the internal revenue code and no part of the organization's net earnings inures to the benefit of any private shareholder or individual. (b) Not held in a multipurpose facility that is owned or operated by the tourism and sports authority pursuant to title 5, chapter 8.	Economic Development (Tourism)	Admission to intercollegiate football contests	\$630,000			TPT	
§ 42-5074 (B) (4)	Sales by a nonprofit organization that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the organization is associated with a major league baseball team or a national touring professional golfing association and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.	Economic Development (Tourism)	Entertainment for tourists	N/A			TPT	Restaurant Classification
§ 42-5159 (A) (15) (b)				N/A			Use Tax	
§ 42-5071 (A) (8)	Leasing or renting photographs, transparencies or other creative works used by this state on internet web sites, in magazines or in other publications that encourage tourism.	Economic Development (Tourism)	leasing/renting works for publications				TPT	
§ 42-5070 (B) (2)	A lease or rental of a mobile home or house trailer at a fixed location or any other similar structure, and also including a space, lot or slab which is occupied or intended or designed for occupancy by transients in a mobile home or house trailer furnished by them for such occupancy for thirty or more consecutive days.	Economic Development (Tourism)	Transient lodging	N/A			TPT	Residential
§ 42-5073 (B) (1)	The gross proceeds of sales or gross income derived from memberships, including initiation fees, which provide for the right to use a health or fitness establishment or a private recreational establishment, or any portion of an establishment, including tennis and other racquet courts at that establishment, for participatory purposes for twenty-eight days or more and fees charged for use of the health or fitness establishment or private recreational establishment by bona fide accompanied guests of members, except that this paragraph does not include additional fees, other than initiation fees, charged by a health or fitness establishment or a private recreational establishment for purposes other than memberships which provide for the right to use a health or fitness establishment or private recreational establishment, or any portion of an establishment, for participatory purposes for twenty-eight days or more and accompanied guest use fees.	Economic Development/Health	Private or group instructional activities, membership and initiation fees for health clubs or private recreational establishments with memberships greater than 28 days	\$17,280,000	1995	1996	TPT	
§ 42-5073 (B) (3)	The gross proceeds of sales or gross income derived from membership fees, including initiation fees, that provide for the right to use a transient lodging recreational establishment, including golf courses and tennis and other racquet courts at that establishment, for participatory purposes for twenty-eight days or more, except that this paragraph does not include additional fees, other than initiation fees, that are charged by a transient lodging recreational establishment for purposes other than memberships and that provide for the right to use a transient lodging recreational establishment or any portion of the establishment for participatory purposes for twenty-eight days or more.	Economic Development/Entertainment/Tourism	Golf packages for groups		1995	1996	TPT	

Tax Exemption Spreadsheet (Economic Development)

Statute Exclusion	Statute Text	Category	Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT or Not Tax	Comments
	<p>The gross proceeds of sales or gross income received from a contract for constructing any lake facility development in a commercial enhancement reuse district that is designated pursuant to section 9-499.08 if the prime contractor maintains the following records in a form satisfactory to the department and to the city or town in which the property is located:</p> <p>(a) The certificate of qualification of the lake facility development issued by the city or town pursuant to section 9-499.08, subsection D.</p> <p>(b) All state and local transaction privilege tax returns for the period of time during which the prime contractor received gross proceeds of sales or gross income from a contract to construct a lake facility development in a designated commercial enhancement reuse district, showing the amount exempted from state and local taxation.</p> <p>(c) Any other information that the department considers to be necessary.</p>							
§ 42-5075 (B) (8)		Economic Development	Income received from a contract for constructing a lake facility development in a commercial enhancement reuse district	N/A	1998	1998	TPT	Tempe Town Lake
§ 42-5159 (A) (38)	Tangible personal property which is or directly enters into and becomes an ingredient or component part of cards used as prescription plan identification cards.	Economic Development	TTP which directly enters into or becomes an ingredient or part of cards used as prescription plan identification cards	N/A	1995		Use Tax	
§ 42-5061 (A) (8) and § 42-5159 (A) (16)	or veterinarian profession	Economic Development	Vet	N/A				Industry subsidy for vets
§ 42-5061 (A) (27) (c)	(c) Incorporated or fabricated by the person into any lake facility development in a commercial enhancement reuse district under conditions prescribed for the deduction allowed by section 42-5075, subsection B, paragraph 8.	Economic Development	Lake facility	N/A			TPT	designed specifically for Tempe Town Lake development
§ 42-5159 (A) (13) (E) (iii)				N/A			Use Tax	
§ 42-5072 (B) subsection	and subsection K, paragraph 2 shall be deducted from the tax base.	Economic Development	Mining	N/A			TPT	selling non-metal mining (gravel, coal) to Government. Industry subsidy.
§ 42-5062 (A) (1)	Transporting for hire persons, freight or property by motor carriers subject to a fee prescribed in title 28, chapter 16, article 4 or by light motor vehicles subject to a fee under title 28, chapter 15, article 4.	Economic Development	Transportation	N/A			TPT	Ryder v. City of Phoenix hold this could be taxed so legislature enacted an exemption.
§ 42-5071 (B) (2) (b)	(b) Section 42-5061, subsection B, except that a lease or rental of new machinery or equipment is not exempt pursuant to section 42-5061, subsection B, paragraph 13 if the lease is for less than two years.	Economic Development	Machinery or equipment used in mining and in drilling for or extracting oil or gas from the earth	N/A				
§ 42-5061 (B) (14)	Machinery or equipment used in research and development. In this paragraph, "research and development" means basic and applied research in the sciences and engineering, and designing, developing or testing prototypes, processes or new products, including research and development of computer software that is embedded in or an integral part of the prototype or new product or that is required for machinery or equipment otherwise exempt under this section to function effectively. Research and development do not include manufacturing quality control, routine consumer product testing, market research, sales promotion, sales service, research in social sciences or psychology, computer software research that is not included in the definition of research and development, or other nontechnological activities or technical services.	Economic Development	Scientific Research	\$5,216,000	1992	1992	TPT	Laws 1992, Chapter 238, effective Jan. 1, 1993
§ 42-5159 (B) (14)				N/A	1992	1992	Use Tax	Laws 1992, Chapter 238, effective Jan. 1, 1993
§ 42-5071 (A) (4)	Operating coin operated washing, drying and dry cleaning machines or coin operated car washing machines at establishments for the use of such machines.	Economic Development	Operating coin operated washing, drying and dry cleaning machines	\$11,792,000			TPT	Enacted by legislature after Peck v. AZ (1980?)

Tax Exemption Spreadsheet (Economic Development)

Statute Exclusion	Statute Text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	FPI Use Tax	Comments
§ 42-5159 (A) (1) (3) (G) and (K)	(G) A person that is subject to tax under article 1 of this chapter by reason of being engaged in business classified under the prime contracting classification under section 42-5075, or a subcontractor working under the control of a prime contractor, if the tangible personal property is any of the following:							
	(i) Incorporated or fabricated by the contractor into a structure, project, development or improvement in fulfillment of a contract.	Economic Development	Various activities	N/A				
	(ii) Used in environmental response or remediation activities under section 42-5075, subsection B, paragraph 6.							
	(iii) Incorporated or fabricated by the person into any lake facility development in a commercial enhancement reuse district under conditions prescribed for the deduction allowed by section 42-5075, subsection B, paragraph 8.							
	(K) A person engaged in business under the transient lodging classification if the property is a person							

Total Reported

\$238,857,000

Non-profit organizations

- transactions with a non-profit organization**

Tax Exemption Spreadsheet (Non-Profit)

Statute Extension	Statute Text	Category	Category Short Description	Dollar Amount	Date Passed	Amendment	TPT Use	Comments
\$ 42-5071 (B) (2)	(a) Section 42-5061, subsection A, paragraph 25, 29	Non-Profit	Machinery or equipment used in mining and in drilling for or extracting oil or gas from the earth				TPT	
\$ 42-5061 (A) (25)	Tangible personal property sold to: (a) A qualifying hospital as defined in § 42-5001 (b) A qualifying health care organization as defined in § 42-5001 if the tangible personal property is used by the organization solely to provide health and medical related educational and charitable services. (c) A qualifying health care organization as defined in § 42-5001 if the organization is dedic	Non-Profit (Health Care)	TPP sold to a qualifying Hospital or a qualifying Health Care Organization TPP sold to or purchased by Qualifying Community Health Centers and Health Care Organizations TPP Sold to a Non-profit Organization which regularly serves meals to the needy and indigent	N/A N/A	1967		TPT	
\$ 42-5159 (A) (13)	Gross proceeds of sales or gross income derived from sales to: (a) Qualifying hospitals as defined in section 42-5001. (b) A qualifying health care organization as defined in section 42-5001 if the tangible personal property is used by the organization solely to provide health and medical related educational and charitable services.	Non-Profit (Health Care)	Purchase made by a residential care institution that is operated in conjunction with licensed nursing care institution	N/A	2001		Use Tax	Laws 1993, chapter 199 added qualifying community health center
\$ 42-5063 (C) (3)	Gross proceeds of sales or gross income derived from sales to: (a) Qualifying hospitals as defined in section 42-5001. (b) A qualifying health care organization as defined in section 42-5001 if the tangible personal property is used by the organization solely to provide health and medical related educational and charitable services.	Non-Profit (Health Care)	Sales to qualifying hospitals	N/A			TPT	
\$ 42-5065 (B) (2)	Gross proceeds of sales or gross income derived from sales of personal property to: (a) Qualifying hospitals as defined in section 42-5001. (b) A qualifying health care organization as defined in section 42-5001 if the tangible personal property is used by the organization solely to provide health and medical related educational and charitable services.	Non-Profit (Health Care)	Sale of TPP to qualifying hospitals	N/A			TPT	Publications
\$ 42-5066 (B) (3)	Sales of personal property to: (a) Qualifying hospitals as defined in section 42-5001. (b) A qualifying health care organization as defined in section 42-5001 if the tangible personal property is used by the organization solely to provide health and medical related educational and charitable services.	Non-Profit (Health Care)	Sale of TPP to qualifying hospitals	N/A			TPT	
\$ 42-5067 (B)	The tax base for the pipeline classification is the gross proceeds of sales or gross income derived from the business, but the taxpayer shall deduct from the tax base the gross proceeds of sales or gross income derived from pipeline services to:	Non-Profit (Health Care)	Pipelines for hospitals	N/A			TPT	
\$ 42-5074 (B) (7)	Sales to qualifying hospitals as defined in § 42-5001.	Non-Profit (Health Care)	Restaurant sales to qualifying hospitals	N/A			TPT	

Tax Exemption Spreadsheet (Non-Profit)

Statute Citation	Statute Text	Category	Category Short Description	Dollar Amount	Date Passed	Amendment	TPTE Use	Comments
§ 42-5074 (B) (6)	Sales to a qualifying health care organization as defined in section 42-5001 if the tangible personal property is used by the organization solely to provide health and medical related educational and charitable services.	Non-Profit (Health Care)	Sales to qualifying hospitals	N/A			TPT	
§ 42-5070 (B) (1)	Operating a convalescent home or facility, home for the aged, hospital, jail, military installation or fraternity or sorority house or operating any structure exclusively by an association, institution, governmental agency or corporation for religious, charitable or educational purposes, if no part of the net earnings of the association, corporation or other entity inures to the benefit of any private shareholder or individual.	Non-profit	Operation of qualifying facility	N/A			TPT	
§ 42-5073 (A) (1)	Activities or projects of bona fide religious or educational institutions.	Non-profit	Admission to amusements sponsored by religious or educational institutions.	\$18,068,000			TPT	
§ 42-5073 (A) (4)	A musical, dramatic or dance group or a botanical garden, museum or zoo that is qualified as a nonprofit charitable organization under section 501(c)(3) of the United States internal revenue code and if no part of its net income inures to the benefit of any private shareholder or individual.	Non-profit	Musical, Dramatic or dance groups or a Botanical Garden. Museum or zoo that qualifies as a nonprofit charitable organization	\$5,157,000	1994		TPT	
§ 42-5073 (A) (9)	Activities and events of, or fees received by, a nonprofit organization that is exempt from taxation under section 501(c)(6) of the internal revenue code if the organization produces, organizes or promotes cultural or civic related festivals or events and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.	Non-profit	Fundraising events	N/A	2001		TPT	
§ 42-5074 (B) (2)	Sales by a congressionally chartered veterans organization of food or drink prepared for consumption on the premises leased, owned or maintained by the organization.	Non-profit	Sales by a congressionally chartered veterans organization of food or drink	N/A			TPT	
§ 42-5074 (B) (3)	Sales by churches, fraternal benefit societies and other nonprofit organizations, as these organizations are defined in the federal internal revenue code (26 United States Code § 501) which do not regularly engage or continue in the restaurant business for the purpose of fund-raising.	Non-profit	Sales by churches, fraternal benefit societies and other nonprofits which do not regularly engage or continue in the restaurant business for the purpose of fund raising.	N/A			TPT	
§ 42-5075 (B) (3)	For taxable periods beginning from and after June 30, 2001, the gross proceeds of sales or gross income derived from a contract entered into for the construction of a residential apartment housing facility that qualifies for a federal housing subsidy for low income persons over sixty-two years of age and that is owned by a nonprofit charitable organization that has qualified under section 501(c)(3) of the internal revenue code.	Non-profit	Low income housing contracts	N/A	2001?	2001?	TPT	
§ 42-5075 (B) (16)	The gross proceeds of sales or gross income derived from a contract entered into for the construction of a domestic violence shelter that is owned and operated by a nonprofit charitable organization that has qualified under section 501(c)(3) of the internal revenue code.	Non-profit	Domestic violence shelter	N/A			TPT	
§ 42-5159 (A) (32) (b)	Public educational institutions.	Non-profit	Public educational institutions.	N/A	1992		Use Tax	

Tax Exemption Spreadsheet (Non-Profit)									
Statute Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Amended	TPT Use	TAA	Comments
§ 42-5061 (A) (4)	Sales of tangible personal property by any nonprofit organization organized and operated exclusively for charitable purposes and recognized by the United States internal revenue service under § 501(c)(3) of the internal revenue code.	Non-Profit	Sales by a non-profit	N/A			TPT		Retail

Tax Exemption Spreadsheet (Non-Profit)									
Statute Exemption	Statute Text	Category	Category Short Description	Dollar Amount	Date Passed	Amended	Tax	TPT Use	Comments
\$ 42-5074 (B) (6)	Sales by any nonprofit organization organized and operated exclusively for charitable purposes and recognized by the United States internal revenue service under § 501(c)(3) of the internal revenue code.	Non-Profit	Sales by a non-profit	N/A				TPT	Restaurant
\$ 42-5061 (A) (29)	Tangible personal property purchased in this state by a nonprofit charitable organization that has qualified under section 501(c)(3) of the United States internal revenue code and that engages in and uses such property exclusively for training, job placement or rehabilitation programs or testing for mentally or physically handicapped persons.	Non-profit	TPP purchased by a nonprofit charitable organization that uses such property for training for mentally or physically handicapped persons	N/A				TPT	
\$ 42-5159 (A) (13) (f)	A nonprofit charitable organization that has qualified under § 501(c)(3) of the United States internal revenue code (FNV4) and that engages in and uses such property exclusively for training, job placement or rehabilitation programs or testing for mentally or physically handicapped persons.	Non-Profit	Property used by a qualifying non-profit for training/rehabilitation/testing	N/A				Use Tax	
\$ 42-5061 (A) (53)	Sales of tangible personal property by a nonprofit organization that is exempt from taxation under § 501(c)(6) of the internal revenue code if the organization produces, organizes or promotes cultural or civic related festivals or events and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.	Non-profit	Sales by a non-profit	N/A				TPT	
\$ 42-5159 (A) (48)				N/A				Use Tax	
Reported Total				#####					

[illegible]

Basic human needs

- personal property and services necessary to meet
basic human health and nutritional needs**
(e.g. ambulance service, food for home consumption, medical equipment

Tax Exemption Spreadsheet (Basic Needs)

Statute/Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT/LS e Tax	Comments
§ 42-5061 (A) (8)	Drugs and medical oxygen, including delivery hose, mask or tent, regulator and tank, on the prescription of a member of the medical, dental profession who is licensed by law to administer such substances.	Basic Needs		N/A	1991		TPT	Laws 1991, Chapter 200
§ 42-5159 (A) (16)				N/A	1991		Use Tax	Laws 1991, Chapter 201
§ 42-5061 (A) (9)	Prosthetic appliances, as defined in § 23-501, prescribed or recommended by a person who is licensed, registered or otherwise professionally credentialed as a physician, dentist, podiatrist, chiropractor, naturopath, homeopath, nurse or optometrist.	Basic Needs	Prosthetic Appliances	N/A			TPT	
§ 42-5159 (A) (17)				N/A			Use Tax	
§ 42-5061 (A) (10)	Insulin, insulin syringes and glucose test strips.	Basic Needs	Insulin, Insulin Syringe and Glucose Test Strips	N/A	1992		TPT	Laws 1992, Chapter 135
§ 42-5159 (A) (19)				N/A	1992		Use Tax	
§ 42-5061 (A) (11)	Prescription eyeglasses or contact lenses.	Basic Needs	Eyeglasses and Contact Lenses	\$7,559,000			TPT	
§ 42-5159 (A) (18)				N/A			Use Tax	
§ 42-5061 (A) (12)	Hearing aids as defined in § 36-1901.	Basic Needs	Hearing Aids	N/A			TPT	
§ 42-5159 (A) (20)				N/A			Use Tax	
§ 42-5061 (A) (13)	Durable medical equipment which has a centers for medicare and medicaid services common procedure code, is designated reimbursable by medicare, is prescribed by a person who is licensed under title 32, chapter 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is primarily and customarily used to serve a medical purpose, is generally not useful to a person in the absence of illness or injury and is appropriate for use in the home.	Basic Needs	Durable medical equipment	N/A	1992		TPT	Retroactive to 1/1/1980. See TPP 93-1
§ 42-5159 (A) (21)				N/A	1992		Use Tax	Retroactive to 1/1/1980. See TPP 93-2
§ 42-5061 (A) (15)	Food, as provided in and subject to the conditions of article 3 of this chapter [FN4] and § 42-5074.	Basic Needs	Food for home consumption	\$429,954,000	1980	Laws 1980, 2nd Special Session, Chapter 8	TPT	

Tax Exemption Spreadsheet (Basic Needs)

Statute/Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT/Use Tax	Comments
§ 42-5159 (A) (22)				N/A			Use Tax	
§ 42-5061 (A) (34)	Machinery, equipment, technology or related supplies that are only useful to assist a person who is physically disabled as defined in § 46-191, has a developmental disability as defined in § 36-551 or has a head injury as defined in § 41-3201 to be more independent and functional.		Machinery, Equipment and Certain Supplies used to Assist the physically or developmentally disabled or those persons with head injuries.	N/A	1993	1993	TPT	<p> LAWS 1993, Chapter 56, Effective Sept. 30, 1993 (See TPR 93-43) </p>
§ 42-5159 (A) (34)				N/A			Use Tax	
§ 42-5062 (A) (3)	Ambulances or ambulance services provided under title 48 or certified pursuant to title 36, chapter 21.1 or provided by a city or town in a county with a population of less than one hundred fifty thousand persons as determined in the most recent United States decennial census.	Basic Needs	Ambulance or Ambulance service	N/A			TPT	
§ 42-5062 (A) (4)	Public transportation program services for the dial-a-ride programs and special needs transportation services.	Basic Needs	Public transportation Services for Dial-A-Ride programs and special needs transportation services	N/A			TPT	
§ 42-5102 (A) (1)	A retailer who conducts an eligible grocery business.	Basic Needs	Food for home consumption.	N/A	1980	1997	Use Tax	
§ 42-5074 (B) (9)	Sales of food, drink and condiment for consumption within the premises of any prison, jail or other institution under the jurisdiction of the state department of corrections, the department of public safety, the department of juvenile corrections or a county sheriff.	Basic Needs	Food or Drink consumed on the premises of a jail, prison or any other institution and nonprofit organizations that regularly serve meals to the needy and indigent on a continuing basis	N/A	1994	1995	TPT	<p> Restaurant classification </p>
§ 42-5159 (A) (36)				N/A	1994	1995	Use Tax	<p> Restaurant classification </p>

Tax Exemption Spreadsheet (Basic Needs)

Statute/Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Ammended	TPT/Us e Tax	Comments
§ 42-5102 (A) (2)	A retailer who conducts a business whose primary business is not the sale of food but who sells food which is displayed, packaged and sold in a similar manner as an eligible grocery business.	Basic Needs	Food for home consumption.	N/A	1980	1997	Use Tax	
§ 42-5102 (A) (3)	A retailer who sells food and does not provide or make available any facilities for the consumption of food on the premises.	Basic Needs	Food for home consumption.	N/A	1980	1997	Use Tax	
§ 42-5102 (A) (4)	A retailer who conducts a delicatessen business either from a counter which is separate from the place and cash register where taxable sales are made or from a counter which has two cash registers which are used to record taxable and tax exempt Basic Needs sales or a retailer who conducts a delicatessen business and who uses a cash register which has at least two tax computing keys which are used to record taxable and tax exempt sales.		Food for home consumption.	N/A	1980	1997	Use Tax	
§ 42-5102 (B)	The taxes imposed by this chapter do not apply to the gross proceeds of sales or gross income from sales of food by a state university or community college or its designee on its campuses to students using a validated meal ticket or to patients purchasing or consuming food at the Arizona health sciences center.	Basic Needs	Food for home consumption.	N/A	1980	1997	Use Tax	
§ 42-5102 (C) (1)	A regularly organized private or parochial school that offers an educational program for grade twelve or under which may be attended in substitution for a public school pursuant to section 15-802.	Basic Needs	Food provided in private school setting	N/A	1980	1997	Use Tax	
§ 42-5102 (C) (2)	A child care facility that is licensed under section 36-882 or a child care group home certified under section 36-897.01.	Basic Needs	Food provided in child care setting	\$9,931,000	1980	1997	Use Tax	

Tax Exemption Spreadsheet (Basic Needs)

Statute Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT/Ls e Tax	Comments
§ 42-5102 (C) (3)	A facility which provides on a regular basis care and supervision of persons who, because of age or a mental or physical condition, are incapable of caring for themselves and where they are unaccompanied by their custodians or guardians for periods of less than twenty-four hours a day.		Food provided in disabled care stung	\$45,724,000	1980	1997	Use Tax	
§ 42-5102 (C) (4)	An organization which is tax exempt under section 501(c)(3) of the internal revenue code and which provides the articles to persons with a nominal charge or without a monetary charge.		Food provided in charity setting	NIA	1980	1997	Use Tax	
§ 42-5102 (C) (5)	A prison, jail or other institution under the jurisdiction of the state department of corrections, the department of public safety, the department of juvenile corrections or a county sheriff for consumption on the premises.	Basic Needs	Food for home consumption.	NIA	1980	1997	Use Tax	
§ 42-5071 (B) (2)	(a) Section 42-5061, subsection A, paragraph 8, 9, 12, 13,	Basic Needs	Machinery or equipment used in mining and in drilling for or extracting oil or gas from the earth	NIA				

Reported Total

\$493,168,000

Federal pre-emption decisions

- exemptions conforming Arizona TPT law with federal pre-emption decisions

Tax Exemption Spreadsheet (Federal Preemption)

Statute Exclusion	Statute Text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
§ 42-5159 (A) (46)	Tangible personal property that is excluded, exempt or deductible from transaction privilege tax pursuant to § 42-5063.	Other		N/A	1967	2002	Use Tax	Makes sure use tax is the same as TPT for the purchasers of utility services from out-of-state businesses. Required undid commerce clause. See Halburton Oil. (US Supreme Court.)
§ 42-5061 (A) (24)	Tangible personal property sold in interstate or foreign commerce if prohibited from being so taxed by the Constitution of the United States or the constitution of this state.	Other (federal preemption)	TPT sold in interstate commerce	N/A	1967		TPT	Federal preemption. State cannot tax.
§ 42-5159 (A) (3)				N/A	1967		Use Tax	Federal preemption. State cannot tax.
§ 42-5062 (A) (2)	The business of transporting for hire persons traveling in air commerce by aircraft if taxation of the business is preempted by federal law.	Other (federal preemption)	transportation	N/A			TPT	
§ 42-5062 (A) (5)	Transporting freight or property for hire by a railroad operating exclusively in this state if the transportation comprises a portion of a single shipment of freight or property, involving more than one railroad, either from a point in this state to a point outside this state or from a point outside this state to a point in this state. For purposes of this paragraph, "a single shipment" means the transportation that begins at the point at which one of the railroads first takes possession of the freight or property and continues until the point at which one of the railroads relinquishes possession of the freight or property to a party other than one of the railroads.	Other (federal preemption)	Gross proceeds for transporting freight or property by an exclusively Arizona railroad for portions of single shipments involving other railroads	N/A	1999	1999	TPT	See Southern Pacific v. State (2002). Court of Appeals held that the state can't tax this.
§ 42-5061 (A) (16)	Items purchased with United States department of agriculture food stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat. 958) [FNS] or food instruments issued under § 17 of the child nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, § 4302; 42 United States Code § 1786).	Other (federal preemption)	Food Stamps	N/A			TPT	
§ 42-5159 (A) (23)				N/A			Use Tax	Federal preemption. State cannot tax.
§ 42-5064 (A) (2)	Sales of internet access services to the person's subscribers and customers.	Other (federal preemption)	Internet access services (federal moratorium)	N/A		2002	TPT	Internet tax freedom act.

Total Reported

N/A

Taxes & fees – exclusion of the taxation of taxes and fees that might otherwise be applied to a tax base

Tax Exemption Spreadsheet (Tax on Tax)

Statute/Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Ammended	Sales Tax/Use Tax	Comments
§ 42-5061 (F)	In computing the tax base, gross proceeds of sales or gross income from retail sales of heavy trucks and trailers does not include any amount attributable to federal excise taxes imposed by 26 United States Code § 4051.	Tax on Tax	Heavy trucks and trailers	N/A			Sales Tax	Tax on federal tax
§ 42-5061 (G)	In computing the tax base, gross proceeds of sales or gross income from the sale of use fuel, as defined in § 28-5601, does not include any amount attributable to federal excise taxes imposed by 26 United States Code § 4091.	Tax on Tax	Portion of sales price of use fuel that reflects the federal excise tax	N/A			Sales Tax	
§ 42-6004 (E) (2)	The waste tire disposal fee imposed pursuant to § 44-1302.	Tax on Tax	Waste tire disposal fee	N/A			Sales Tax	

Total Reported

N/A

“Other”

There were a number of exemptions for which we were unable to find any common traits, and were thus put in the category of “Other.” We believe this category, in particular, deserves further inspection because the public policy supporting the exemptions is not apparent.

Tax Exemption Spreadsheet (Other)

Section 1 Addition	Statute (CA)	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
§ 42-5075 (B) (17)	The gross proceeds of sales or gross income derived from contracts to perform postconstruction treatment of real property for termite and general pest control, including wood destroying organisms.	Other	Gross proceeds of post-construction treatment of real property for termite and general pest control	N/A			TPT	
§ 42-5061 (A) (20)	Lottery tickets or shares pursuant to title 5, chapter 5, article 1.	Other	Arizona Lottery tickets	\$14,741,000			TPT	Intangible Exclusion
§ 42-5159 (A) (27)		Other		N/A			Use Tax	
§ 42-5061 (A) (48)	Sales of materials that are purchased by or for publicly funded libraries including school district libraries, charter school libraries, community college libraries, state university libraries or federal, state, county or municipal libraries for use by the public as follows: (a) Printed or photographic materials, beginning August 7, 1985. (b) Electronic or digital media materials, beginning July 17, 1994.	Other	Printed, photographic, electronic or digital media materials for use in publicly funded libraries	N/A	1997		Use Tax	
§ 42-5159 (A) (12)	Sales of job printing, engraving, embossing and copying for use outside this state if the materials are shipped or delivered out of this state regardless of where title to the materials passes or their free on board point.	Other	Job printing etc.	N/A	1994		TPT	
§ 42-5073 (A) (2)	Private or group instructional activities. For purposes of this paragraph, "private or group instructional activities" includes, but is not limited to, performing arts, martial arts, gymnastics and aerobic instruction.	Other	Private or group instructional activities	N/A	1994	1994	TPT	
§ 42-5075 (B) (1)	The sales price of land, which shall not exceed the fair market value.	Other	Sale price of land	N/A			TPT	Enacted after Dennis Development v. ADOR. Most cities tax the land.
§ 42-5071 (B) (1)	Reimbursements by the lessee to the lessor of a motor vehicle for payments by the lessor of the applicable fees and taxes imposed by sections 28-2003, 28-2352, 28-2402, 28-2481 and 28-5801, title 28, chapter 15, article 2 and article 1X, section 11, Constitution of Arizona, to the extent such amounts are separately identified as such fees and taxes and are billed to the lessee.	Other	Motor Vehicle	N/A			TPT	Motor Carrier
§ 42-5075 (B) (3)	The sales price of furniture, furnishings, fixtures, appliances, and attachments that are not incorporated as component parts of or attached to a manufactured building or the setup site. The sale of such items may be subject to the taxes imposed by article 1 of this chapter separately and distinctly from the sale of the manufactured building.	Other	Unattached components of manufactured bldg.	N/A			TPT	These transactions are really retail sales so are taxed under that classification.
§ 42-5061 (A) (28) (b)	[sales of vehicles to] (b) An enrolled member of an Indian tribe who resides on the Indian reservation established for that tribe.	Other	Sale of a motor vehicle	N/A			TPT	
§ 42-5063 (C) (1)	Revenues received by a municipally owned utility in the form of fees charged to persons constructing residential, commercial or industrial developments or connecting residential, commercial or industrial developments to a municipal utility system or systems if the fees are segregated and used only for capital expansion, system enlargement or debt service of the utility system or systems.	Other	Municipally owned utility	N/A			TPT	
§ 42-5063 (C) (2)	Revenues received by any person or persons owning a utility system in the form of reimbursement or contribution compensation for property and equipment installed to provide utility access to, on or across the land of an actual utility consumer if the property and equipment become the property of the utility. This deduction shall not exceed the value of such property and equipment.	Other	Any person owning a utility system	N/A			TPT	

Tax Exemption Spreadsheet (Other)

Statute Exclusion	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
§ 42-5061 (A) (37)	Paper machine clothing, such as forming fabrics and dryer felts, sold to a paper manufacturer and directly used or consumed in paper manufacturing	Other	Paper machine clothing used or consumed in paper manufacturing	N/A	1994		TPT	HB 2157 (1994) Retroactive
§ 42-5159 (A) (30)				N/A	1993	1993	Use Tax	Laws 1993, Chapter 258
§ 42-5064 (B) (2)	End user common line charges established by federal communications commission regulations (47 Code of Federal Regulations section 69.104(a))	Other	End user common line charges established by federal communications regulations	N/A			TPT	
§ 42-5064 (B) (3)	Carrier access charges established by federal communications commission regulations (47 Code of Federal Regulations sections 69.105(a) through 69.118)	Other	Carrier access	N/A			TPT	
§ 42-5075 (B) (7)	The gross proceeds of sales or gross income that is derived from a contract entered into for the installation, assembly, repair or maintenance of machinery, equipment or other tangible personal property that is deducted from the tax base of the retail classification pursuant to section 42-5061, subsection B, or that is exempt from use tax pursuant to section 42-5159, subsection B, and that does not become a permanent attachment to a building, highway, road, railroad, excavation or manufactured building or other structure, project, development or improvement. If the ownership of the realty is separate from the ownership of the machinery, equipment or tangible personal property, the determination as to permanent attachment shall be made as if the ownership were the same. The deduction provided in this paragraph does not include gross proceeds of sales or gross income from that portion of any contracting activity which consists of the development of, or modification to, real property in order to facilitate the installation, assembly, repair, maintenance or removal of machinery, equipment or other tangible personal property that is deducted from the tax base of the retail classification pursuant to section 42-5061.	Other	Gross proceeds from a contract to install, assemble, repair or maintain machinery that does not become permanently attached	N/A	1997	1997	TPT	See Brink V. ADOR
§ 42-5061 (B) (11)	Bus or other urban mass transit vehicles which are used directly to transport persons or property for hire or pursuant to a governmentally adopted and controlled urban mass transportation program and which are sold to bus companies holding a federal certificate of convenience and necessity or operated by any city, town or other governmental entity or by any person contracting with such governmental entity as part of a governmentally adopted and controlled program to provide urban mass transportation	Other	Bus or other urban mass transit vehicles used to transport persons for hire or pursuant to a governmentally adopted and controlled urban mass transportation program	N/A			TPT	
§ 42-5159 (B) (11)				N/A			Use Tax	
§ 42-5071 (A) (2)	Activities engaged in by the Arizona exposition and state fair board or county fair commissions in connection with events sponsored by such entities.	Other	Events sponsored by the Arizona Coliseum & Exposition Board	N/A			TPT	
§ 42-5073 (A) (3)	The operation or sponsorship of events by the Arizona exposition and state fair board or county fair commissions	Other	Sponsorship of events	N/A			TPT	
§ 42-5071 (A) (7)	Leasing or renting aircraft, flight simulators or similar training equipment to students or staff by nonprofit, accredited educational institutions that offer associate or baccalaureate degrees in aviation or aerospace related fields.	Other	Leasing or renting aircraft or training equipment by a non-profit school offering aviation and aerospace degrees	N/A	2001	2001	TPT	
§ 42-5073 (A) (8)	Activities and events of, or fees and assessments received by, a homeowners organization from persons who are members of the organization or accompanied guests of members. For purposes of this paragraph, "homeowners organization" means a mandatory membership organization comprised of owners of residential property within a specified residential real estate subdivision development or similar area and established to own property for the benefit of its members where both of the following apply: (a) No part of the organization's net earnings inures to the benefit of any private shareholder or individual. (b) The primary purpose of the organization is to provide for the acquisition, construction, management, maintenance or care of organization property.	Other	Fees and assessments received by a homeowners organization	N/A	1996	1996	TPT	
§ 42-5061 (K) (2)	Sales made directly to a manufacturer, modifier, assembler or repairer if such sales are of any ingredient or component part of products sold directly to the United States government or its departments or agencies by the manufacturer, modifier, assembler or repairer.	Other	Sales to US Government	N/A	1956		TPT	Out back on TPT collected on sale to Federal Government
§ 42-5159 (A) (32) (c)	State universities or affiliated organizations of a state university if no part of the organization's net earnings inures to the benefit of any private shareholder or individual.	Other (education)	State University	N/A			Use Tax	8/15/03

Tax Exemption Spreadsheet (Other)

Statute Exemption	Statute text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
§ 42-3961 (A) (19)	Articles of food, drink or condiment and accessory tangible personal property to a school district if such articles and accessory tangible personal property are to be prepared and served to persons for consumption on the premises of a public school within the district during school hours	Other (education)	Food used in School Lunches	N/A			TPT	
§ 42-5159 (A) (26)				N/A			Use Tax	

Tax Exemption Spreadsheet (Other)

Statute Citation	Statute Text	Category	Category Short Description	Dollar Amount	Date Passed	Last Date Amended	TPT Use Tax	Comments
§ 42-5061 (A) (17)	Textbooks by any bookstore that are required by any state university or community college	Other (education)	Textbooks that are required by a state university or community college	NIA			TPT	Bookstores near universities seeking tax party with campus bookstores which do not tax books.
§ 42-5159 (A) (28)				NIA			Use Tax	
§ 42-5159 (A) (32) (4)	Charitable or educational institutions that are exempt from taxation under § 501(c)(3) of the internal revenue code	Other (education)	Motor vehicles removed from inventory and provided to charitable or educational institutions or State Universities or their affiliated	NIA	1992		Use Tax	Cars for coaches
§ 42-5063 (B) (4)	Sales of ancillary services; electric distribution services; electric generation services; electric transmission services and other services that are related to providing electricity to a retail electric customer who is located outside this state for use outside this state if the electricity is delivered to a point of sale outside this state	Other (out-of-state)	Electric services to a retail electric customer who is located outside this state for delivery and use outside the state	NIA	1999	1999	TPT	Laws 1999, Retroactive to tax periods beginning from and after December 31, 1998
§ 42-5061 (A) (14)	Sales to nonresidents of this state for use outside this state if the vendor ships or delivers the tangible personal property out of this state	Other (out-of-state)	Sales to Nonresidents for use outside Arizona if the property is shipped or delivered outside the state	NIA			TPT	Subject to abuse: Questionable whether tourists are actually incentivized to make purchases because of this provision
§ 42-5061 (A) (45)	Sales of motor vehicles at auction to nonresidents of this state for use outside this state if the vehicles are shipped or delivered out of this state, regardless of where title to the motor vehicles passes or its free on board point.	Other (out-of-state)	Motor vehicles at auction to nonresidents of this state for use outside this state if the property is shipped or delivered outside this state	NIA	1995	1995	TPT	Laws 1995, Chapter 267, Retroactive to July 1, 1990.
§ 42-5061 (A) (35)	Sales of tangible personal property that is shipped or delivered directly to a destination outside the United States for use in that foreign country.	Other (out-of-state)	Motor vehicles at auction to nonresidents of this state for use outside this state if the property is shipped or delivered directly to a foreign country for use in that country.	NIA	1993		TPT	NAFTA, Laws 1993, Chapter 118
§ 42-5061 (B) (6)	Pipes or valves four inches in diameter or larger used to transport oil, natural gas, artificial gas, water or coal slurry, including compressor units, regulators, machinery and equipment, fittings, seals and any other part that is used in operating the pipes or valves.	Other (Pipelines)	Pipes or valves four inches in diameter used to transport oil, natural gas, artificial gas, water or coal slurry	NIA	1967	1998	TPT	Broad based exemption for pipes typically used in some industry
§ 42-5159 (B) (6)				NIA	1967	1998	Use Tax	

Reported Total

\$14,741,000